

MARKETING OF
INDIAN MANUFACTURED GOODS
AT HOME AND ABROAD

*IN MEMORY OF
MR LOVING SON, ADITYA KUMAR*

*Like the stars in the Heavens ever shining,
Your love in my heart is ever growing.*

according to their own genius, taking into account the nature of a country's economy and its capacity to offer goods at competitive prices.

India is a late comer in the field of industrialization. This aspect has its advantages as well as disadvantages. She can study the marketing systems of each country and adopt, with some modifications, that system most suitable to her needs and requirements. Her disadvantages arise as a result of the entrenchment of certain countries in some fields in many consumer markets where brand goods have already established their reputation. India as a new-comer will find it difficult, in the initial stages, to push the sales of her merchandise.

With the growth of literacy and the loosening of political strings in many parts of the world, the markets have become very discriminating and competitive. The rapid changes in technology and inventive skill have introduced considerable dynamism in marketing techniques. Innovation is the order of the day in all these countries. An entrepreneur intending to sell his products has to secure precise information on the various aspects of marketing.

In a country like India with a large population, the prizes that can be secured through successful marketing are many. They will not only ensure the success of the enterprise but will also create great confidence in them to make a bid in the export field.

India has now been making rapid industrial progress. During the first decade of planning, investments in different industries amounted to about Rs 2,000 crores, while during the Third Plan, the estimated figure is around Rs 3,100 crores. Tentative estimates for the Fourth Plan are now around Rs 7,000 crores. In other words, what India had invested during the first ten years of her economic planning will be exceeded more than threefold in the five-year period of the Fourth Plan. This large investment will not only broaden the industrial structure of the country, but will also enable her to increase her exports appreciably, besides substantially increasing the scope for internal marketing. The prospects for the distribution trade in the coming years are promising indeed.

The Ministry of Commerce is fully seized of these problems.

It has already constituted the Board of Trade as an apex body, in addition to various Commodity Boards, Export Promotion Councils, Export Inspection Council, Export Credit and Guarantee Corporation and other bodies for purposes of promoting exports. India's export trade has already witnessed some broad trends, among which mention may be made of a quantitative increase and a qualitative change. While the first aspect is represented by a progressive rise in the level of exports, the second is typified by a greater orientation towards the export of semi-processed, processed and manufactured goods in addition to the traditional products like tea, jute goods, primary agricultural products, handicrafts, handlooms, etc. In order to provide specialized training in foreign trade and marketing, the Government have set up an Institute of Foreign Trade to organize market research, area surveys, commodity studies, export publicity, training of personnel, and research projects. We have, at the same time, been laying special emphasis on quality control and standardization in order to safeguard the interests of importers and indigenous consumers.

The problem of marketing India's manufactured goods at home and abroad has become very topical and needs constructive and stimulating thinking from as many angles as possible, particularly against India's present and future economic development. I, therefore, welcome Dr. T. N. Rastogi's pioneering book as it will facilitate fresh thinking among economists, businessmen, marketmen and manufacturers.

New Delhi,
10th October, 1964.

MANUBHAI SHAH
Minister of Commerce, India

PREFACE

SINCE the achievement of Independence, immense changes have taken place in the Indian economy. Marketing, like production, has assumed importance in the context of planned economic development. We are required to pay for goods and services in our daily life, and in each case we are generally called upon to pay heavily towards the marketing costs and also towards the cost of production. Roughly speaking, 35, 45 and 50 per cent of the end-sale value of goods constitutes the marketing costs in the case of agricultural, industrial and consumer goods respectively in our country. Stated in another way, agricultural marketing, industrial marketing, and consumer marketing, absorb 35 per cent, 45 per cent, and 50 per cent of the final sale value of agricultural commodities, industrial products, and consumer goods respectively. This being so, marketing is a basic element in the economy which needs as much attention as production. In fact, more. As such, marketing should develop leadership in the overall scheme of production, so as to bring about spectacular effects on the total output of the nation. Unfortunately, thus far it has not been so.

Marketing should be a subject in its own right. But the current situation as regards the teaching of and research in marketing has remained far from reassuring except, of course, in agricultural marketing. In so far as industrial and consumer marketing is concerned, the current woeful neglect on the part of the universities has to be made good in double-quick time since India is becoming rapidly industrialized. Indian business houses cannot be expected to pioneer the cause unless the universities, which are the sanctuaries of the inner life of the nation, move forward and carry on efficient teaching in the realm of industrial and consumer marketing based on fundamental research. Happily, the Indian Institute of Foreign Trade, sponsored by the Ministry of International Trade (now Ministry of Commerce), Government of India, has come in a big way. It is expected to set the ball rolling in the realm

of export marketing. It is giving a lead in conducting market and area surveys so as to locate the potential consumer areas for our exports all over the world in an effort to raise our export earnings. The Institute will also assist in formulating long-term plans in the domain of export marketing and in determining the export potential of the various commodities. Obviously, commodity surveys within the country will have to be conducted. In addition, market research over a wide field will be necessary so as to distinguish the wood from the trees. This needs effective co-ordination with our universities which can sharpen the tools of marketing. Marketing is going to play a crucial role in the country's plans. One only emphasizes the obvious when asserting that to draw up plans without giving due attention to marketing will inevitably invite repeated failure. Surely, it would prove catastrophic to the realization of our economic plans if the problem of marketing is lost sight of.

As we have accepted a planned economy for initiating the process of speedier industrialization in order to provide the people with opportunities for a richer and more varied life, marketing will provide the apparatus, so to speak, for more economical disposal of goods and services than at present. It will solve the equation of demand and supply. Efforts should be intensified at all levels to deepen and extend our knowledge in the domain of marketing. In view of its vital contribution to the Indian economy, its continued neglect will be disastrous. It was, therefore, thought that a standard work on marketing would serve a deeply felt need, so that the attention of the Government, the Planning Commission, the trade, and the consumers might be focussed on the complex phenomenon of marketing, thus enabling new ideas and thoughts to develop, and guiding the process of production along right lines.

It is with this purpose in view that this book makes its début before its learned readers. Much thought and planning have gone into its writing; and no effort has been spared for rendering it as comprehensive as possible within the limitations of time and space. In fact, the book, which grew out of a thesis on which the author was awarded the Ph.D. degree in Commerce of the Agra University at the Convocation of 1959, has been extensively redrafted and considerably enlarged.

This was very necessary if the thesis were not to meet a dismal fate by being relegated to the record room or lumber room as food for white ants or silver fish! The author was also anxious to make his researches widely known so that marketing could acquire its legitimate place in the sphere of commerce. There is little published material on this subject. It has therefore been worthwhile producing this book and placing it before the reader. It may encourage others to write about the subject. In any case, industrial and consumer marketing must catch up, for unless their study is rooted in research, they will perish. One can only hope that administrators charged with the responsibility of guiding the economic affairs of the nation, will be able to tackle such matters more thoroughly and with greater directness if they care to apply themselves to this task.

The book has been divided into three parts. In addition, no fewer than five appendices have been added at the end for the sake of completeness. The arrangement is as follows.

Part I deals with the theory of industrial and consumer marketing, and the theoretical concepts have been woven around the body of applied economics (commerce) so as to enrich the framework of the theory of marketing. This was an uphill task, for a theory unaffected by hard realities would be in danger of becoming sterile. Marketing theory is by no means jejune with empty boxes. On the contrary, it must respect facts and guide the marketing structure, thereby playing an indispensable part in the development of business on sound lines, particularly now when the Indian economy is ascending at the production end. That is why fresh ground has been broken in the realm of theory, guardedly avoiding abstract reasoning divorced from the hard facts of life. It is vital for Indian manufacturing industries to drive hard on marketing so as to remove all imbalance between production and consumption.

Part II, on the marketing structure of a select, representative group of Indian manufacturing industries, has been written in an attempt to evolve a sound marketing system for the nation on the basis of the practical application of marketing theory so as to maximize production for the benefit of the community. With a view to being thorough in the marketing

survey, the area of enquiry has deliberately been kept small. All the same, the marketing problems of cottage products and handicrafts have been discussed, for no marketing study can be complete in their absence in the case of India. Marketing of manufactured goods, it will be seen, is based on precise knowledge and, as in production, such knowledge can only be obtained by looking into pertinent facts, interpreting them in the light of relevant theory, and putting them into practice, thereby developing a sound marketing structure for the nation. A well-conceived production system must obviously be marketing-oriented as production cannot advance its cause without employing every skill in marketing. Indian industry which often takes a casual attitude towards marketing owing to the sheltered market at home, has an uphill task in evolving a sound marketing structure. Marketing of Indian manufactured goods at home and abroad needs all the finesse and the finer nuances and, above all, flexibility, so as to improve the economic strength of the nation in the final reckoning. An effort has been made to evolve a sound marketing structure which can answer the needs of the day.

Part III, which discusses the marketing programme of Indian manufactured goods in the context of a planned economy, is calculated to fuse the manufacturing activities of the nation into an effective instrument for expediting the take-off stage through developmental planning. Once the take-off stage has been reached, it would take no time to attain the self-generating floor of the Indian economy. Upon its attainment, the economy will acquire its overwhelming productive power. This part, by and large, indicates the theme that the marketing patterns must be adjusted more flexibly in quickening the pace of the country's economic development in a planned economy so as to enable India generally to fit into the fast-changing competitive economy of the present world. Here it has been shown that the advancement of the marketing programme will be rendered possible by devoting considerable thought to the problem of marketing. In fact, its *raison d'être* is marketing. Marketing is an integrated business operation which has a quality of wholeness. It is by no means a series of isolated techniques. On the contrary, it is a total function which embraces the entire business operation for the

transference of goods and services, and includes the entire business of product conception and its gestation. As such, it should be comprehended in aggregated terms. Obviously, marketing has to be used as a springboard for concentrated industrialization at the fastest rate possible so as to fit into the competitive economy of the age in which we live today. A well-conceived marketing programme will clearly be a major contributor for initiating a spectacular acceleration of the large-scale industrialization of the country. That will bring wealth and prosperity to the nation. In a civilization that is largely built round money, we shall certainly like to have its tree in our backyard. In India where one has the authority of Bhavabhuti, '*Yasyasti vittam sa narah kulinah, Sarve guna kanchana-masrayanti*', it enjoins on us to pay some attention to the things of the earth. Indeed, marketing holds the key to material prosperity. Modern living in this world rests upon the broad basis of material comfort and prosperity. In fact, spiritual advancement also depends, in the main, upon the plank of material comfort, barring, of course, exceptions. So simple living and high thinking is nothing but the escapist cry of a poverty-stricken people who like to delude themselves that though poor they are mentally superior. Anyway, India as a nation cannot prosper without a strong marketing base. This part sketches the mere skeleton of the marketing programme of which the loose ends have been tied up to impart a coherent shape. As an applied economist, the author has done his best to promote the practical framework of the marketing programme within the limitations of time and space.

Outside the main body of the work, the five appendices which have been added are likely to enhance the usefulness of the book. The first two appendices with their accompanying annexures are intended to present the problem of India's manufacturing and marketing power in the correct perspective. In the interest of a close analysis of the subject and accuracy of results, the powerful tools of mathematical statistics have been employed. The mathematical treatment will be found of great interest to those who are interested in the inter-disciplinary approach to the much-vexed problems of marketing. It will be seen that econometrics has important applications to problems of marketing. The next appendix

has outlined the marketing strategy in India's developing economy. It is possible to equate production and consumption by developing a suitable marketing strategy which will remove the weak spots from the existing system and help pulsate the nation with a new strength. The last two appendices constitute the specialized studies of Prof. J. R. Hawkinson, Professor of Marketing, Northwestern University, United States of America, and of Mr. E. J. Rainey, Director and Field Sales Controller, Lamson Paragon Ltd, United Kingdom, which are bound to arouse interest in this extremely difficult applied subject in our country where the concepts in industrial and consumer marketing have yet to gain ground.

The author hopes that the book will be beneficial not only to the Indian business community, but also be a useful guide to the student of industrial and consumer marketing. Let us hope that it will create a general awareness among Indian planners and others about the existence of the marketing problem in Indian manufacturing industries. It is sufficient if the wind finally blows in the right direction.

In the context of the changing pattern of the Indian economy, industrial and consumer marketing can no longer be neglected. It has now become a practical necessity to plough this land which lies almost virgin. Indian manufacturers and export houses and all those engaged in Indian trade and commerce would have to employ modern tools of marketing to cultivate this land, so that India may develop into a major manufacturing power, thereby attaining full stature within the larger framework of a world comity of nations.

It is well-nigh impossible for the author to mention the names of all the individuals who helped him in procuring the data which lay scattered all over the country. But his most sincere thanks are due to Dr. M. C. Mathur, M.A., M.Sc., Ph.D., Principal, Barahseni College, Aligarh, who guided him at all stages and inspired him to complete this work. He must also convey his warm thanks to his publishers, Messrs. Orient Longmans Ltd., for the care and attention they have bestowed on the preparation of the work for the press. The author must also state that he alone is responsible for the views expressed in this book, and he may be permitted to add that the Government of India are in no way concerned with them. Finally,

he would like to express his debt of gratitude to the Union Minister for International Trade (now Minister of Commerce), Shri Manubhai Shah, who, in the midst of his multifarious activities, found time to write an illuminating Foreword. This has greatly encouraged the author to bring out the thesis, with substantial additions and alterations, in book form, so as to make available the results of his study to a much wider readership for the benefit of all concerned.

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15th December, 1964.

T. N. RASTOGI

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PART I

MARKETING THEORY

CHAPTER ONE

BASIC CONCEPTS IN MARKETING

Marketing Defined and Analysed

Let us consider, in the first instance, what is 'market'. The word 'market' is derived from the Latin *mercatus*, from the verb *mercari* which means 'to trade'. Passing from the Roman into the Teutonic connotation, it came to signify 'a public place in which goods and services are bought and sold'. Therefore, the noun 'marketing' means 'the act or technique of buying and selling of goods and services', which naturally implies the transference of goods from the producer to the consumer. Marketing is, thus, simply a means of achieving a certain end, namely, the transference of goods and services from one person, channel, or institution to another in the labyrinths of modern commerce. Marketing is the necessary complement of manufacture, comprising all the business activities needed to secure that all the output of our factories, farms, forests, and mines is finally placed in the hands of those who would ultimately consume this output. Marketing must logically encompass all sales and related activities which enter in this act or technique of transference. Prof. Edward A. Duddy and Dr. David A. Revzan have defined 'marketing' in these words: 'Marketing is the economic process by means of which goods and services are exchanged and their values determined in terms of money prices. The term "process" implies activity—co-ordinated groups of activities, in fact—having a definite purpose, the purpose being to move goods from points of production to points of ultimate use, not simply in a physical sense but in such a way as to facilitate the maximum satisfaction of consumers' wants.'¹ Stated in another way, 'marketing is the process of getting goods and services out of the hands of the producer into the hands of the consumer.' In this process, the money-value of these goods and services is fixed. Thus, the transfer and sale of goods from producer to consumer constitutes the field in which marketing problems lie. The study of marketing therefore covers the

¹ Edward A. Duddy and David A. Revzan, *Marketing*, p. 4.

entire field of activities included in moving goods and services from producer to consumer. The study of marketing encompasses the whole business world, beginning at the factory door and ending at the retail counter when the money-value of these goods and services is given in exchange for their transference with the ultimate object of consumption. Buying, selling, financing, risking, transportation, storage, standardization, and market information are the activities in marketing which are technically known as 'functions'.¹ There can be many more functions but most of them can be called incidental operations, and so the above-mentioned eight major functions almost cover the entire process of getting goods and services out of the hands of the producer into the hands of the consumer.² Prof. P. T. Cherington classifies these functions into (1) merchandise functions ; (2) auxiliary functions ; and (3) sales functions. He groups under 'merchandise functions' transportation and storage. Under auxiliary functions, he has grouped 'financing' and 'risking'. And he has classified the remaining functions under 'sales'.

The elements of marketing, according to Cherington, are two recognizable groups of activities, one of which is elementary and is identical with the central task of merchandise transfer under modern conditions, and the other is supplementary in character, and embraces separate types of functions as the direct result of production and consumption.³ Anyway, a considerable body of doctrine and practices relating to buying, selling, financing, risking, transportation, storage, standardization, and market information has grown up in response to specialized requirements of consumers all over the world. This has come to be regarded as marketing.

Marketing can be further classified as (i) agricultural marketing, which deals with the marketing of agricultural produce ; (ii) industrial marketing, which deals with the marketing of

¹ Buying and selling constitute the two primary functions of marketing. The remaining functions are, in a sense, facilitative. Transportation and storage have to do with physical factor, they add place and time utility. Standardization involves the establishment of certain criteria to which the goods must conform. Financing and risking play an important role in the scheme of marketing. Finally, market information serves as a guide for determining what the trade wants, what the trade will pay, and what will be the costs of securing and distributing the goods. J. Brooks Heckert and Robert B. Miner, *Distribution Costs*, Second Edition, New York, 1933, pp. 5-8.

² P. T. Cherington, *The Elements of Marketing*, pp. 14-17.

those products not used for final consumption some of which are processed further before they can be finally consumed by the consumer ; and (iii) consumer marketing which deals with the marketing of such goods as are used for final consumption. Prof. Robert Ferber says : 'If the product is employed by other firms in their own manufacturing processes, e.g. raw materials, automobile parts, including machinery, the sale and distribution of the product is known as industrial marketing. If the product is destined for consumer use, we have consumer marketing.'⁴

Obvious as the differences may seem to us in this classification of marketing, they are not always clear-cut, and the borderline is sometimes blurred, because the same product may involve more than one marketing division. For example, shellac is used in the manufacture of numerous products and is also used for final consumption in medicines, etc. Again, flour is used by the consumer for final consumption, is used for binding, as also for many other manufacturing processes. It may, therefore, be said that though marketing is an indivisible subject, yet there are three classifications of it. But fundamental principles of marketing remain unaltered, the distinctions being made to bring home the special characteristics of these branches of the same subject.

Marketing as an Art and as a Science

If art is the practical application of a set of rules or principles to practise, science is a system of facts and principles concerning any subject. It is through overlooking this simple difference that confusion often arises.

Marketing is an art in the sense that a considerable body of rules or principles on buying, selling, financing, risking, transportation, storage, standardization, and market information have been put into practice in order to make the economic life of man a success. But the question is, how have these rules or principles been evolved ? If we examine them closely, we shall see that they have been evolved by a process of observation of particular cases. Uniformities in these rules or principles have been studied and generalizations have been arrived at. It may therefore be accepted that marketing is a science.

Physics is as much a science as psychology. But whilst physics

⁴ Robert Ferber, *Statistical Technique in Market Research*, 1949, p. 3.

studies certain uniformities regarding the external universe, psychology observes similar uniformities in the working of the human mind. Both follow the inductive, as opposed to the deductive, method in collecting the data peculiar to them. So does marketing. On the basis of the observations of particular cases, marketing has arrived at the rules or principles of buying, selling, sorting, financing, storage, transport, and the like. But since it studies human nature which cannot be accurately measured, its rules or principles cannot be as accurate as those of physics. Yet it is art also, because the application of these rules or principles is done methodically in the actual conduct of transference of goods and services from producer to consumer.

Marketing is as complex a phenomenon as human nature itself, for it covers the entire group of services involved in the distribution of goods from producer to consumer, and since the consumer is the most important market factor, it is he who determines to a great extent the principles of marketing. This implies that the rules of both—art as well as science—are to be applied to marketing in order to obtain the best results.

Manufacture versus Marketing

Industrial production brings simultaneously to the mind the various problems connected with manufacture as also with marketing. These two functions are dependent on, and inextricably intertwined with, each other. Wherever there is manufacture, there is marketing. If there are no facilities for marketing a product, its manufacture will stop. 'Consumption', said Adam Smith, 'is the sole end and purpose of all production.'⁵ Under a free enterprise economic system, both manufacture and marketing are geared to the profit motive. Manufacture is the means *with* which profits are earned; marketing is the means *through* which profits are obtained. The manufacturer seeks to supply the largest number of goods which are most useful to the consumer at the lowest price possible, marketing attempts to dispose of the goods most advantageously. In this process, the producer, as Marshall lays down in his *Industry and Trade*, not only bears the manufacturing costs, but also a large share of the costs incurred on

⁵ Adam Smith, *Wealth of Nations* (Cannan's Edition), Vol. ii, p. 159.

account of the marketing of his goods.⁶ No manufacturer can altogether escape from the problems of marketing. He has become separated from the consumer of his goods by space and time, and therefore marketing has become quite complicated.

The economic purpose of manufacture is to increase the form-utility of goods, and that of marketing is to give to goods greater utilities of time, place, and possession. Marketing includes all the activities involved in the creation of place, time, and possession utilities. Place utility is created when goods or services are available at the place they are demanded. Again, time utility is created when they are made available at the time they are needed. And finally, possession utility is created when they are transferred to those who need them. In this way, marketing makes goods and services more valuable by getting them where they are wanted, when they are wanted, and transferred to those by whom they are wanted.

The widespread and ramifying forces of marketing, in bringing individuals, groups, and nations into commercial relationships, present to the student of the subject some of the most complex phases of the life of man. Marketing constitutes an important branch of commerce, which, until recent years, did not engage the attention it deserved. But if distribution is to keep pace with manufacture, the same analytical, scientific process of study should be applied to marketing as is applied to manufacture. 'Marketing calls for a new technique no less revolutionary than that created by our fathers and our grandfathers in the realm of production—a technique which has enabled us to achieve incredible results by mass production'⁷ A prerequisite of any manufacture is the possibility of selling the product. Marketing will become vastly more important in future. As the manufacture becomes more and more specialized, marketing will tend to occupy a more and more prominent position in our economy.

From the foregoing analysis, it is clear that strictly speaking, marketing is one part of production, manufacture is another, both being equally important in production. Yet the study of the technique of manufacture has far outstripped

⁶ Alfred Marshall, *Industry and Trade*, p. 274.

⁷ See the OEEC Report on 'Marketing by Manufacturers', published by the European Productivity Agency of the Organization for European Economic Co-operation, Paris, 1957.

that of the technique of marketing, not only in our country but all over the world. Lack of repetitiveness in marketing as against manufacture makes it infinitely more complex. Human beings as consumers of goods and commodities cannot be mechanized. It is not possible to stabilize and standardize various factors in marketing. Neither, therefore, has the economist cared to study marketing as a field of economic activity, nor has the businessman employed the modern tools of marketing to any significant extent. Orthodox economic theory avoids the problem by so defining production as to avoid the necessity for discussing marketing as a separate function appropriate to specialization, and by assuming complete vertical integration of business operations. The manufacturer felt that he had more important functions to perform, and his goods would sell on their own. Dr. Lyndon O. Brown in his *Marketing and Distribution* has rightly remarked: 'Just as the economist has generally glossed over the subject of the economics of consumption, the businessman has permitted himself to become embroiled in immediate problems of production, finance and the details of operation.' This has, thus, resulted in the continued neglect of half of our economy.

Today, the producer and the consumer are widely separated by land and sea, as well as in time and knowledge. More often than not, demand does not precede supply, but usually follows it. The product is manufactured not in response to a known demand, but in anticipation of a future demand. These developments have made marketing a highly technical and complex problem which now demands attention commensurate with the requirements of modern factory production. There has lately been a growing appreciation of the importance of marketing in the overall scheme of production. India has not remained unaffected by this trend, because it is no longer possible for her to ignore the problem of marketing. The time has now arrived when she must face the problem in her planned economy. An organized effort should be made in this direction, so that both the private and public sectors could register uninterrupted progress.

Organized industries in India have now begun paying more thorough attention to marketing than had ever been done

before. These industries have realized that manufacture and marketing are inseparable partners in production, and one cannot operate without the help of the other. Our industrialists have realized quite vividly that what is gained on the swings will be more than lost on the roundabouts, if the marketing of the more economically produced goods is not effected at reduced costs. Judged by American and European standards, the problem of marketing in India still lacks the scientific approach and the psychological touch, though it is getting into its stride these days not only in factory industries but also in cottage industries.

To those acquainted with marketing, it is clear that whereas manufactured goods of average quality can find markets quite easily provided their marketing has been carefully planned, manufactured goods even of the best quality cannot find ready markets if the problem of their marketing has been neglected. Similarly, agricultural produce cannot be disposed of promptly without an effective and organized system of marketing. Dr. S. A. Husain aptly remarks: 'Without a developed marketing system the farmer labours under distinct disadvantages, inasmuch as his sales are so many isolated acts without any plan.'⁹ It is unquestionable that marketing is a driving force, and given satisfactory quality and reasonable prices it is possible to market manufactured goods and agricultural produce expeditiously, giving impetus to more and more production and greatly promoting trade and commerce between nations. Marketing is the very heart-beat of production. The real importance of scientific marketing lies in increasing production, sales and profits. There is no Aladdin's lamp that we can rub to arrive at the best method of marketing. This is both an art and a science, and consumers can be served more efficiently by the application of certain proved principles of marketing. These principles can help keep agriculture and industries in a vigorous and growing condition.

Holland and Denmark are the typical agricultural countries in Europe which have developed agricultural marketing on scientific lines. Great Britain and Germany are industrial countries in Europe, typical of those that have revolutionized our ideas of industrial and consumer marketing. Japan has

⁹ S. A. Husain, *Agricultural Marketing in Northern India*, 1937, p. 31.

done the same in Asia. In fact, it is said of Japan that she has introduced, in the field of marketing, a great many innovations which have amazed the world. About Germany it is said that she has developed the closest relationship between the manufacturing and the trading classes. Again, America is the country which has surpassed all the countries of the world in the matter of organized marketing on a mass scale, both for manufactured goods and agricultural produce. The advantages that America enjoys in the form of a higher standard of living are largely due to her marketing methods and practices. India is starting almost from scratch, particularly in industrial and consumer marketing. She must create the necessary climate for the development of modern techniques in marketing. We, in India, should take a leaf out of marketing practices in other countries, particularly Germany, England, Japan, and America. This change in attitude will, by and by, lead to the establishment of new standards, new ideas, and new theories in the field of marketing.

Classes of Manufactures

The problems connected with the marketing of manufactured goods are different for differing purposes, and are peculiar to the purpose for which such goods are used and the type of marketing for which they are produced. Broadly speaking, there are three classes of manufactured goods: semi-manufactured goods, equipment goods, and finished goods or end-products. Semi-manufactured goods or intermediate products need further processing before they can be used for final consumption. Equipment goods are generally materials which are used in factories, mercantile firms, banking institutions and other public utility concerns. Finished goods or end-products are those which are ready for final markets either by industries or institutions, or for personal consumption by individuals.

Semi-manufactured goods are production materials whose marketing bears close resemblance to that of agricultural produce. Here the marketing machinery is relatively simple.

Equipment goods include machinery, oils, paper, office equipment and similar goods. Some of these products have the characteristics of semi-manufactures whilst others have those of industrial or consumer manufactured goods. In this category of goods, the marketing machinery is not very com-

plicated. The service element is predominant here. This is the most distinguishing feature in the marketing of equipment goods.

Finished goods or end-products present the most difficult marketing methods, since consumers of these articles are individuals who buy them in small quantities but who exercise great discrimination in their purchases. In these goods the service element is not very pronounced, though it is important.

There is, however, another way of classifying manufactures. From the standpoint of consumers' buying habits, they can be divided into three classes : convenience goods, shopping goods, and speciality goods. Here convenience goods are those which are customarily purchased at easily accessible points. The consumer is familiar with these goods ; and as soon as he recognizes the want, the demand immediately becomes clearly defined in his mind. These goods are readily available either near residential districts or near commercial or industrial centres or at a point that can be easily visited on the road to and from one's place of employment or work. No effort is needed to purchase them, since prices of the goods are the same everywhere. Such goods are bought at regular intervals to satisfy an immediate want. Again, shopping goods are those which are bought by the consumer after comparing prices, quality and style. The exact nature of goods to be bought is not clearly defined in the mind of the consumer, but he makes up his mind immediately after seeing a few varieties of goods bearing the names of different brands. Generally, they are more expensive than convenience goods. Their purchase can be deferred for some time after the want has been felt, since the immediate satisfaction of the want is not necessary. These goods are usually stocked in centrally located shops. Finally, speciality goods are those which have some special attraction to the consumer. They are highly particularized products, and are available only at a few selected shops. In purchasing speciality goods, the consumer determines their nature in advance. Here also, the purchase of the goods can be postponed for a time after the want has been felt by the consumer, since their prices are quite excessive. These goods need special purchasing efforts.

Difference between Marketing of Manufactured Goods and of Agricultural Produce

Fundamentally, the principles governing the marketing of manufactured goods and the marketing of agricultural produce are the same, or nearly the same. Essentially, the same functions are performed and with more or less the same relative frequency. The same principles of buying, selling, financing, risking, transportation, storage, grading, standardization, and market information are widely applied both for the manufactured goods and for the agricultural produce. The difference that exists is only one of degree and emphasis. But the aims of the marketing systems of the two types of goods may be said to differ extensively in the sense that whereas the producer of manufactured goods under the capitalist economy wants to get rich through the multiple process, the producer of agricultural commodities simply tends to seek security through the subsistence process.

The agriculturist, unlike the manufacturer, does not concentrate on the commercial side of his produce. The manufacturer whose production is normally a continuous affair, is constantly engaged in working out cost economies, since expenses of a recurring nature of such a vast organization have to be borne by him whether it is operating or not. It is therefore in the interest of the manufacturer himself that he should keep his productive apparatus always at work at a level of capacity which can be maintained all the year round. The manufacturer knows that in the manufacturing industry the multiplier effect operates. It is therefore only natural that he should display a highly specialized knowledge and technique of manufacture and marketing, while the agriculturist remains only a producer of agricultural and commercial crops, pure and simple. This enables the manufacturer to exercise a far greater control over the market and the marketing channels than the agriculturist. No manufacturer, whether of industrial or of consumer goods, wants to yield an unfettered control over the sale of his products to the middlemen agencies or intermediaries. A wise manufacturer does not like keeping all his eggs in one basket. This is not so in the case of agricultural produce. The middlemen like *arhatiyas*, *bania*, *beopari* and *dalals* have entrenched themselves firmly in the marketing

of agricultural produce. These middlemen have earned notoriety for many malpractices including the use of incorrect weights. They also indulge in false accounting.

Another cogent difference between the marketing of manufactured goods and agricultural produce arises from the fact that agricultural produce is collected in small quantities which ultimately swells the mighty streams of marketing, whereas manufactured goods are mostly produced on a large scale, and then are broken up into smaller lots at each successive stage in marketing.

Yet another feature which distinguishes the two types of goods from each other is with regard to control over their means. Control, both qualitative and quantitative, is easier in the case of manufactured goods because production of manufactured goods is done on certain calculations, and the schedule of production is strictly followed all along the line. This is not possible in the case of agricultural produce. Factors like soil erosion and rainfall over which the agriculturist has no control make it impossible for him strictly to follow a pre-determined programme of production.)

The basis upon which the marketing of manufactured goods, both industrial and consumer, is conducted differs greatly from that of agricultural produce. Individual attention is paid in the marketing of manufactured goods. Manufacturers have carefully to create an active sales group, study the needs of the market, arrange effective publicity and advertising and secure the best methods of distribution. Studies of consumer behaviour, market areas, patterns of income, and trends in costs have to be undertaken. Manufacturers identify themselves completely with their products. The agriculturist whose produce is seasonal in character cannot have this complete identification with his produce. In the case of agricultural produce, therefore, it is the middlemen who play a predominant role in the entire process of marketing. These middlemen have not only to perform a greater amount of assembling, but also to incur heavy expenses on grading the bulky and easily perishable products. It is hardly surprising therefore that marketing of agricultural produce is more expensive than that of manufactured goods.¹⁰ Thus we see that though basic

10. K. R. Kulkarni, *Agricultural Marketing in India*, Bombay, 1951, pp.1 28-9.

principles remain the same, differences, largely of degree, methods, and emphasis arise in the marketing of manufactured goods and agricultural produce.

Intermediaries

The institution of middlemen goes far back in history. Even Plato in his ideal Republic recognized that there would always be people in the market who, seeing the needs and requirements of the producer, would undertake the task of sale and merchandising.

The system of intermediaries creates its own problems, but the problems faced by manufactured goods are different from those faced by agricultural produce. The agriculturist is a victim of the machinations and subterfuges of the middlemen and their satellites, who play a more important role in the marketing of agricultural produce than do their counterparts engaged in the marketing operations of manufactured goods. The importance of middlemen in the marketing of agricultural produce has been greatly reduced in Canada, Italy, Denmark and England under the co-operative marketing system. Unfortunately, the Indian agriculturist has not yet developed the co-operative marketing system to any appreciable extent, and so he is a victim of the interplay of demand and supply to a far greater extent than his confrere in Canada, Italy, Denmark or England. In the absence of any co-operative system he is also confronted with problems of finance. He requires immediate payments against deliveries and sometimes even against standing crops. Under such circumstances, the middlemen take full advantage of his weak position and play a great and arbitrary role in the fixation of prices for, and the marketing of, the produce. It was only quite recently that the Planning Commission laid great emphasis on the co-operative marketing system, so that middlemen should not exploit the situation to the great disadvantage of the agriculturist. The Commission has also asked the Government to render all possible help in the promotion of the co-operative marketing system.

On the other hand, the marketing of manufactured goods is in no way at the mercy of middlemen, for the manufacturer keeps the middlemen under his control by equipping himself with the complete marketing information, by streamlining marketing channels, and by often resorting to direct marketing

for a part of his manufactured goods. Manufacturers as a class follow this approach and raise questions with respect to their products and product lines through the simple device of turning the spotlight on themselves. Nothing like this has happened in the case of agricultural produce.

Marketing and the Standard of Living

Marketing aims at the disposal of greater and greater quantities of goods, and thus it augments both production and consumption. When goods are marketed efficiently, their prices are reduced. This naturally raises the standard of living. Marketing is thus a means of improving the standard of living. Aggressive marketing methods are developed by manufacturers of several varieties of goods. A radio manufacturer competes with a gramophone manufacturer. The consumer is lured with novel methods of selling (such as instalment selling), which enable him to purchase high-priced goods more conveniently through deferred payments on a spread-over basis. He tends to become discriminative in the choice of goods. He uses his discretionary purchasing power according to his best judgement. He buys only that product which gives him more satisfaction without making heavy demands on his purse immediately at the time when the product comes into his possession. In this way, discretionary purchases aid substantially in the effective improvement of the standard of living as well as in the production of cheaper and better goods.

Marketing also helps in the quick disposal of commodities. The basic reason why America's standard of living has kept on rising is that the Americans have been ceaselessly devising new ways of manufacturing goods which cost less than was possible under the old ways. The Americans also employ the modern technique of marketing for their effective and prompt disposal. Mr. Richard H. DeMott has truly remarked : ' There is no doubt that our ability to produce has been a great source of our strength, but let us not forget that it has been the successful selling of these things produced that has made it possible for us to become the greatest producing nation in the world. If the sales forces throughout all our industries had not kept goods flowing to market and had not concurrently created

new demands, there would be a serious insufficiency of productive capacity to sustain our present economy.¹¹

The Human Element in Marketing

The human element counts greatly in all economic reactions, and exerts a decisive influence upon the price of manufactured goods. The tastes, prejudices, and habits of the buyers, and their knowledge of the market, are pitted against the merchandising abilities of the sellers, as also the marketing strategy adopted by them. Both these factors wield a very real influence upon prices. Another thing that counts is that human psychology varies from market to market and its study can no longer be neglected. A general tendency in consumer psychology which appears almost universal is that manufactured goods of higher value rather than those of higher volume get preference in international commerce.

Relationship between Home and Foreign Markets

Foreign markets should not be regarded as just somewhere to sell goods which are surplus to the requirements of the home market. As much attention should be paid to the preference of peoples overseas as is paid to those at home. In fact, more attention should be given to foreign markets. A major factor that tends to restrict marketing between countries is the ignorance about the availability of goods. It is, therefore, incumbent to conduct detailed market surveys in foreign markets, and popularize the national products in foreign markets to the utmost extent possible.

It is an important principle of economics that in order to be able to import essential commodities, a country has to export goods and services which are in demand in foreign countries. Therefore, there is a determinative relationship between home and foreign markets.

This is particularly important of India in view of the acute shortage of foreign exchange necessitating a more comprehensive base for export promotion.

It is true that the home market is the sheet-anchor for manufactured goods produced domestically. Nevertheless, foreign markets should not be neglected. No major industry of a country can rely exclusively on the home market. If we take

¹¹ See *Changing Patterns in Distribution*, p. 3 (*Marketing Series*, No. 83, American Management Association, New York).

the case of India, we shall see that she has a vast and expanding home market, so that it is possible for her to effect substantial economies in manufacturing costs of her products. If, however, she can sell part of her production in foreign markets, she can effect still greater economies to manufacturing costs and earn more foreign exchange in order to sustain her expanding economy. These foreign markets can therefore be regarded as 'marginal and corrective' forces.

An economy like ours which is trying to lift itself from low levels of consumption and at the same time is trying to build an egalitarian society in which the increased incomes are likely to be generated over a wide sector, is apt to absorb a fairly large part of the increased production in the home market, but notwithstanding this phenomenon, all efforts should be made to develop foreign markets.¹² Foreign markets cannot, however, be developed without intelligent effort and imaginative planning; for securing foreign markets greater efforts are required than for securing the home market. Some manufacturers and exporters tend to regard foreign markets as the dumping ground for products unacceptable to the home market. This is a mistaken attitude, and the sooner they rectify this mistake, the better it will be for the country as a whole.

Generally speaking, manufacturers should have before them a good map of the territory which they intend to enter, and they should make themselves thoroughly acquainted with its geographical position, i.e. the area, climate, composition of the race, transport, and port facilities. They should study carefully the economic conditions of the territory, and the attitude of the Government towards imports. They should also calculate the amount of competition they are likely to meet from competitors marketing similar manufactured goods. They may even visit the territory and make an on-the-spot study. Then they can win foreign markets permanently.

To sum up, home and foreign markets should be developed simultaneously, keeping in view the requirements of the home market side by side with those of foreign markets.

¹² See *Export Promotion, A Study*, Federation of Indian Chambers of Commerce & Industry, New Delhi, 1956.

Exports and Imports

There is no gainsaying the fact that exports are just as important as imports. Exports and imports are the instruments of Government for establishing international relations. In modern times, exports and imports go together. They are essential features of the international division of labour. In a free-market economy, exports and imports originate spontaneously and simultaneously, both being essential in the overall marketing structure of a nation. Even Mahatma Gandhi considered it a two-way traffic and found it essential to have both exports and imports. These are his memorable words : 'To reject foreign manufactures merely because they are foreign, and to go on wasting national time and money in the promotion in one's country of manufactures for which it is not best suited would be criminal folly and a negation of the *Swadeshi* spirit.'¹³

Exports should not be permitted at the cost of starving the home consumer, nor imports allowed at the risk of strangulating the home industries. Subject to these two essential conditions, all efforts must be made to improve exports and imports between different nations of the world in order to have an integrated and closely-knit world market in the competitive economy of the age in which we live.

¹³ Quoted from *Major Industries of India*, Annual Volume 2, 1952, p. 269, M. P. Gandhi (Ed.).

CHAPTER TWO

COMPARATIVE MARKETING PRACTICES

Divergent Practices

Marketing practices differ widely from country to country. Both in Great Britain and in Japan the small size of the country and the great density of population render marketing practices relatively simple and inexpensive. In America and Canada, the vastness of the area adds to marketing costs and makes marketing practices more complex, but the problem of marketing in a country as great and as heterogeneously populated as India is a stupendous one. In her case, we must take into account two more factors, both negative in character, *viz.* the all-too inadequate transport facilities, and the appalling illiteracy of the masses.

The study of marketing practices is the study of a part of applied economics which is at once as dynamic and as complex as human nature itself. Marketing practices are ever changing. What holds good today may not hold good tomorrow. The object of marketing will be observed to be something more than the mere securing of profits. It aims at the successful distribution of the products, agricultural or manufactured, and raises the standard of living by increasing the flow of goods and services to consumers. The flow of goods and services increases if the marketing efficiency is at a high level, and marketing efficiency reaches the maximum if the time-interval between the manufacture and marketing of goods is the minimum. This time-interval between the manufacture of a product and its ultimate disposal is the most sensitive index of the correct marketing practices evolved by a nation.

The Inter-Dependence of Marketing Practices

These divergent marketing practices are inter-dependent. Modern methods of factory production have brought into existence a world market and consequently no country can singly solve the marketing problems of goods domestically produced without securing foreign markets for a part of such goods. There are, however, many limits placed betwixt and between, as for example, Indian tariff policy may effect the marketing strength of British manufactured goods in the Indian

market. In the past, British manufactured goods could secure the Indian market by virtue of its political exploitation. The Indian economy was geared, as it were, to supplement the requirements of Great Britain. But today this has become a thing of the past, and she has therefore to change her marketing practices to suit the present times. Again, a tariff revision on the lower side in America may enable foreign-made goods to enter that country more freely. We have reached so high a degree of international inter-dependence in the field of marketing that the marketing of a part of the production of a nation in foreign countries is of benefit to itself as well as to other nations.

Unfortunately, certain aggressive nations try to secure an easy access in foreign markets through political means. Imperialism is the direct outcome of this tendency. This tendency led to two world wars in the first half of the twentieth century, fought by nations of the world mainly in their aggressive search for raw materials from foreign countries, and for markets for their manufactured products in international markets through political devices.

Russia, and also China after the victory of Communist forces represent a new way of life, and their marketing relationships are based on an entirely different footing. Their marketing pattern also is totally different both in aims and methods from that of the Free World, because they only enter into marketing relationships with the Free World on the basis of bilateral agreements so as to exchange goods and services on the basis of reciprocity, though now there is a swing in favour of the triangular and multilateral trading system.

In our present discussion, we shall take into account neither the aggressive intentions of some nations of the world, nor the Russian and Chinese patterns of marketing, nor even their effects on international marketing, as these can only be treated in a separate volume. Here we shall confine our attention to the subject-matter proper in its purest form. Our task is therefore specific and clear-cut. Inter-dependence amongst nations will continue so long as the world remains politically divided into several states, because the physical structure of the earth is such that different segments of the earth have different resources.

Marketing Patterns

The marketing patterns of the more important nations of the world would afford an interesting and significant study. Each nation has developed the pattern of marketing suited to its peculiar requirements. Here we shall see that each nation takes the home market to be its first charge, regarding foreign markets only as the outlet for its surplus output. This shows that export markets are generally considered as marginal and corrective forces for sustaining the home industry on an enduring basis. At the same time, exports and imports help the nations in respect of each other's deficiencies and excesses by inter-adjustments. The instrument for the inter-adjustments of the output of each nation is marketing. Marketing is thus an exploratory study.

America easily stands out as the most developed country with regard to the marketing of her manufactured goods. Marketing has not to take care of itself, but is taken care of by American manufacturers. Marketing is planned long before the commencement of production, and the planning continues until the final disposal of the goods. In India, on the contrary, industrial and consumer marketing has not yet outgrown the elementary stage. The general tendency displayed by Indian industry is to produce something first, and then wait for the marketing of its production. England's marketing system lies midway. At one time a pioneer in the field of marketing, she is today lagging far behind America. Even Germany in Europe and Japan in Asia had stolen a march over the U.K. in marketing practices till they were defeated in the last war. Now India is gradually coming into her own ; she cannot be expected all at once to bridge the yawning gap between the industrialized countries of the West and herself with regard to marketing. She must however do so as quickly as possible, as she needs a great expansion of her manufacturing industries as a necessary condition for improving her standard of living, and as a means for providing employment for her teeming millions.

A brief, if succinct, recapitulation is now necessary of the outstanding features of the marketing pattern both of the manufacturing industry of the highly industrialized nations

which have for so long dominated the international markets, and also of India.

England

It is appropriate that this discussion should begin with England, for modern industrialism, characterized by large-scale production of manufactured goods in factories operated by power-driven machinery and by the widespread use of mechanical transport, looks upon England as its birthplace. A peculiarly fortunate concatenation of circumstances led to the most far reaching and momentous changes in the field of industrial production in that country in the wake of the Industrial Revolution. Geographically, she is uniquely situated on the western outskirts of Europe, but well connected with the outside world. This position helped her to establish a supremacy over others in founding and maintaining stable marketing relationships with the nations of the world. England also took great care so to arrange the marketing of her manufactured goods as would enable the expanding volume of her production to be absorbed in world markets. She thus avoided the mistake of putting the cart before the horse. She interested the world in British manufactured goods through her pioneering marketing practices and adopted new attitudes and dynamic policies in the matter of home and export marketing.

At home, the marketing of England's manufactured goods is generally done through the wholesaler or his representative who visits each shopping unit at least once a week. The van carrying a wide assortment of manufactured goods distributes them to the retailers according to their requirements, the wholesaler carrying adequate stocks of manufactured goods to meet the needs of his customers who carry on retail marketing. The retailers in turn sell them to the ultimate consumers.

Marketing of manufactured goods is also done under the hire-purchase system, particularly in the case of high-priced goods and equipment. House-to-house selling of manufactured goods and other wares in vans or cars is very popular with British housewives, but whatever the medium of distribution, the one-price system is omnipresent. The time-interval between the manufacture of goods and their ultimate

disposal is negligible, as England is a small and compact country of short distances. Besides, the transport system there is so efficient that goods can be placed in all parts of the country in a relatively short period of time. British manufacturers are always careful to see that no time should be lost in goods reaching the consumers once they have left the factory, and in this operation the manufacturers are helped immensely by banking, transport and other factors.

Exports are an aspect of marketing the importance of which cannot be exaggerated in England, because about three-quarters of her total output is normally exported to the world markets. Without exports her economic system would collapse. She functions to the extent she does in international markets with the help of sharp marketing tools.¹ She is the outstanding workshop of the world.

It would be well to remember that England has a large number of small and medium-sized units, and these units have formed export groups.² These groups conduct market research in the major markets of the world, and advise the manufacturers regarding the goods required in different countries, and when they are required. These groups also submit detailed reports on market conditions. The big manufacturers have their own permanent representatives in the more important markets and correspondents in the less important ones, and these representatives and correspondents keep them continually informed about the market conditions, designs, fashions, and other trends of the market, so that

¹ 'The United Kingdom ranks about 75th in size among the countries of the world, with about 0.18 per cent of the world's land area. In population, with about 2 per cent of the world's inhabitants, it ranks ninth. In density of population it is fourth: of the major countries, only Japan, Belgium and the Netherlands are more crowded; and there are nine times as many people to the square mile in the United Kingdom as in the United States. In world trade, it ranks second, accounting for about one-tenth of the total. It takes about a fifth of the world's exports of primary products, and provides about one-sixth of the world's exports of manufactured goods' (*Britain: An Official Handbook*, 1962 Edition, p. 247).

² Prof. G. C. Allen in his *British Industry* has commented: 'British Industry, compared with that of the United States, has to cater for a highly diversified demand both for consumer and capital goods. At the same time, the British market is much smaller than the American, while skilled labour is relatively abundant here compared with natural resources. For all these reasons, the advantages of having goods produced by mass-production methods are fewer in Great Britain than in America, and so in this country the small and medium-sized unit finds greater opportunities in many branches of industry.'

manufacturers should be in a position to supply the proper type of goods at the right time.

Manufacturers in Britain are also helped by many institutions in the task of export marketing. Amongst such institutions the Board of Trade is by far the most important. The Board of Trade has its Headquarters in London. The different branches into which the Board is divided are the Export Services Branch, Country Branches, Exhibition and Overseas Branch, Export Licencing Branch, Statistics Division, and Information Division. There are also regional offices and district offices. Furthermore, the Board of Trade has two departments dealing with export problems, the Commercial Relations Export Department, and the Commodity and General Division which includes the Export Service Branch. In addition, there is the Special Register Service, under which all trade enquiries are classified tradewise and commodity-wise. In short, the Board of Trade is an immensely useful instrument which helps British manufacturers in marketing their manufactured goods in world markets.

Another institution of great importance is the Federation of British Industries which, too plays a great role in rendering substantial help and guidance to British manufacturers. The Federation maintains a number of overseas offices in the Commonwealth countries, East Asia, Europe and the Middle East, North America and Latin America. It has promoted a separate company known as the 'British Overseas Fairs Limited' which, on behalf of British manufacturing industries, participates in foreign fairs and exhibitions. It has sent many Trade Missions abroad and has thus helped British industry in marketing its products successfully in foreign markets.

It is becoming increasingly clear that Great Britain may perhaps retrieve something of its original position in the field of marketing. She has long since lost her position of predominance, and today she claims only a share of the massive technical innovations of modern times. She is, however, not lacking in the resilience and vitality characteristic of the past. Nor has she lost her capacity for industrial ingenuity and adaptation in spite of many setbacks, and so in all likelihood she will successfully meet the stresses of the new era. Even today, she occupies a leading position as an

exporter of her manufactured goods in world markets. Her manufacturing industries provide an exceedingly wide range of products to foreign markets. Such a nation does truly deserve to survive and prosper in the new order of things.

Germany

The emergence of Germany as an industrial nation consequent on the teachings of Friedrich List followed in an era of State-aided industrial development during the Bismarck regime.³ This necessitated a new technique for the marketing of her manufactured goods in the world markets, and these goods were, in return, expected to pay for the import of food and raw materials. The imported food and raw materials were, in their turn, to feed both the nation and its industry. A rare combination of favourable factors promoted the development of marketing in Germany. Paradoxical as it may seem, her late arrival in the industrial field benefited her, even as England found herself handicapped by the very fact of an initial lead. The mistakes committed by England were skilfully avoided by Germany in order to enhance the marketing strength of her manufactured goods. As a result, England could not retain her leadership in the domain of marketing. While she slipped back, Germany gained ground. This was indeed a marvellous achievement for Germany, since she had at that time no colonies. She made up this deficiency by her superior technological skill and competitive ability to cultivate markets in foreign countries in the face of serious competition from older countries such as England and France who could always fall back upon their colonial markets.

Germany is a country which developed the closest relationship between the manufacturing and the mercantile classes. This fact offers an explanation for the remarkably efficient marketing organization of Germany, which enabled German manufactured goods to penetrate into many foreign markets. But in developing foreign markets the home market was not

³ Friedrich List was the first German economist who advocated a protective commercial policy for Germany so that she could upset the commercial overlordship of Great Britain and become a great manufacturing power. His economic teachings exercised a great influence in Germany and ultimately the overwhelming manufacturing supremacy of Great Britain was seriously challenged. (See Friedrich List, *The National System of Political Economy*, Translated by Sampson S. Lloyd, New Edition, 1904).

neglected. She continued to have a tight control over the home market. In fact, the expansion of her home market enabled her to reduce the manufacturing costs of goods meant for foreign markets. Excessive production led to further cuts in the costs of production, thus increasing the marketing strength of German manufactured goods still further.

The home marketing practices of Germany closely resemble those of England, and therefore need no elaboration here. It is in export marketing that Germany made spectacular progress and tremendous headway. She excelled in the sedulous adaptation of her manufactured goods to the needs of the foreign markets for which they were destined. She was quick enough to take into account differences in climate, taste and customs, and even superstition. She exported her manufactured goods to the farthest corners of the world. The efficiency of her foreign markets was developed through corporation or joint marketing. German entrepreneurs entered into voluntary agreements among themselves for the regulation of prices for manufactured goods destined for foreign markets. Even the profits obtained as a result of the marketing operations in foreign markets were pooled and divided among themselves on a prearranged basis. This was the first stage in her marketing development in the sphere of industrial and consumer goods. Later on, these loose verbal agreements were replaced by legal agreements which came to be known as 'cartels' in marketing parlance. This was the second stage in the marketing development of the country's manufactured goods, both industrial and consumer. The final stage of marketing development was reached simultaneously with the formation of syndicates which were an improvement over cartels. These syndicates were the highest form of cartels in which all the output of independent entrepreneurs was entrusted to a selling office, and the role of the producers was merely restricted to production. It will thus be seen that corporation marketing—which may also be called joint marketing—came to be developed in Germany by stages. This was found to be the most effective way of winning permanent foreign markets, since the margin of profits on manufacturing costs was regulated side by side with the reduced marketing charges on account of bulk selling in a highly

co-ordinated way. In this, German trade interests were helped by the banking machinery to an extent found nowhere else in the world. The German Government also came forward and offered adequate incentives to manufacturing and merchandising organizations. Thus Germany was able to challenge the earlier supremacy of England, and to raise her standard of living far above her natural resources. Germany was gaining ascendancy over Great Britain in the sphere of marketing. 'In every quarter of the world', said Marshall, 'the perseverance and enterprise of the Germans were making themselves felt. In the actual production of commodities we have now few, if any, advantages over them; and in a knowledge of the markets of the world, a desire to accommodate themselves to local tastes and idiosyncrasies, a determination to obtain a footing wherever they can, and a tenacity in maintaining it, they appear to be gaining ground on us.'⁴ But after her defeat in World War I (1914—18), she lost many of these earlier marketing advantages. She was however able to restore her prestige by about 1927. By then, German industry began to be styled as the Reformation in the field of economics. Rationalization was adopted throughout the entire process of production and marketing. Unfortunately, Germany, under the regime of Adolf Hitler, established a national defence economy—*Wehrwirtschaft*—with all other purposes subordinated to the ultimate goal of an impregnable military system, with the result that her marketing system was completely geared to war purposes. The Second World War broke out in September 1939 because of Hitler's evil designs. Germany's marketing system was completely upset. As a result of her total defeat in the last war and the splitting of Germany into different zones controlled by Russia, America, France and England, both her political status and her industrial production were drastically reduced. A house divided against itself cannot make much headway, but from all available accounts it is becoming increasingly clear that that part of Germany which is under the Allies and is known as West Germany, has an industrial bias, and is once again trying to come into her own, though greatly hampered by her geo-

⁴ Alfred Marshall, *Industry and Trade*, pp. 93-94.

graphical size and political subjection. In spite of this, West Germany has begun marketing a miscellany of manufactured goods in world markets at competitive prices. She has a 'Foreign Trade Information Office' with its headquarters in Cologne which has three departments : (i) Legal and Commercial Services ; (ii) Market Information Services ; and (iii) Publication and Press Services. This office has an efficient system of collecting and disseminating market information, and maintains the highest level of efficiency. It plays an extremely important role in the development of export marketing. German manufacturers are able to take help from this organization in order to promote the marketing interests of their manufactured goods. Besides, there are two central organizations, namely (i) BDI '*Bundesverband der Deutschen Industrie*' and (ii) DIHT '*Deutscher Industrie and Handelstag*'. Whereas the former is an important central organization which is a Federation of German Industries, with its headquarters in Cologne and maintaining representatives in foreign capitals such as New York, London, Paris, Rome, Brussels and Amsterdam, the latter has its headquarters in Bonn, and looks after the interests of no fewer than twenty-five German Chambers of Commerce for export promotion. West Germany has begun to pay serious attention to the problems of marketing. Whatever handicaps Germany might suffer, she is bound to come out of the woods today in every sphere of activity, including marketing. History is likely to repeat itself because of the soundness and the stamina of her national character. X: 51.2

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Japan

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At the time of the Meiji Restoration (which may well be compared to the French Revolution), Japan was not an industrial power. Her pattern of society was essentially feudal: Emperor Mutsuhito, whose reign is known as the Meiji era ruled over Japan from 1868 to 1911, and acquainted Japan with the western technique and science of industry. He encouraged the nation to start a network of small-scale and medium-sized industries in every town and village in the country. These industries achieved substantial economies in the cost of production of different types of manufactured goods.

assigned for home consumption. In Japan itself, this appears to be so generally accepted as a basic principle of export marketing, that it seems to be regarded as almost naive to question the practice. No manufactured goods are exported from Japan below the cost of production. Japan takes into consideration many factors in export marketing such as the cost of freight, import duties and the like, and then prices the goods in such a manner that they should not be handicapped in the foreign markets. In fact, export is only allowed after the manufactured goods receive a certificate of quality, bearing a seal of approval of the inspection organization. No Japanese trader can indulge in malpractices in the domain of marketing under pain of punishment inflicted by law. Marketing is done almost exclusively through trading companies regardless of whether merchandise is being sold for export or for domestic use. There are practically no direct sales by Japanese manufacturers to retailers.

The commendably practical approach displayed by the Japanese Government to the problem of marketing is worth emulation by the Governments of other countries. The policy of the Japanese Government is to promote exports to the utmost extent possible, keeping down imports to bare essentials. Bilateral agreements are entered into with a number of countries in order to secure raw materials for their conversion into processed goods. The detailed planning of export and import operations is done by the Ministry of International Trade and Industry (MITI) in close co-operation with other Government departments and agencies. An important instrument in this field of planning is the Foreign Exchange Budget, prepared every six months, which is subject to modifications warranted by changing circumstances in the realm of marketing. Detailed forecasts of exports commoditywise are prepared; the necessary currency and foreign exchange allotments are made for the import of the raw materials required for these exports. Thus the whole marketing policy is formulated in the interest of the marketing development of the nation. Furthermore, subsidies, bounties, drawbacks, taxation reliefs, and other incentives are given to manufacturers by the Government. In addition, retention fund certificates, which entitle an exporter to receive a foreign

exchange certificate for his own use, equal to 5 per cent of the invoice value of the export, are issued. These certificates are used for importing, under licence, various non-essential or luxury goods which are then sold at 'handsome profits in the home market. It will thus be seen that Japan is a country where marketing problems are tackled with determination and as an integrated whole, and that is primarily the reason why other manufacturing nations cannot ordinarily compete with Japan in world markets.

Japan is indeed a lesson to the other countries of the world where marketing is concerned. Cheap goods will not capture markets merely by virtue of low prices. Intelligent and well-thought-out planning in marketing is necessary. Japan made organized efforts in this direction, as has been examined in the foregoing discussion. Unfortunately, her desire for a 'place in the sun', prompted by economic greed, entangled her in the last war, and her defeat shattered her economy. Today, she is again coming into her own. She has re-built her war-torn economy so successfully in such a short period, that the world gazes with open-eyed wonder at her phenomenal progress. She has made structural changes in the post-war pattern of production by diversifying her apparatus of production. She has at the same time, located new markets in order to compensate for the loss she has suffered in having been deprived of valuable markets in India and China. According to the recent study of her economic recovery during the ten years immediately following the war, she has more than recovered from the ruins of the crushing devastation. 'Japan has achieved spectacular economic reconstruction in the ten post-war years. The national income is 50 per cent over pre-war. The income per capita exceeds the pre-war peak reached in 1939. Industrial output is twice pre-war and far above the war-time volume which included munitions production.'⁵ In the days immediately following the end of the war, no one could imagine that she would re-build her productive machine so quickly and elevate her living standard to this degree in such a short period. The well-known saying that 'where there is a will, there is a way' is nowhere truer

⁵ See *Economic Survey of Japan* (1955-56), Economic Planning Board, Tokyo, 1956.

than in the case of Japan. She had the will, and she has worked out the way. She has already become a powerful rival of China and India in the realm of marketing in the under-developed and undeveloped countries of the Far East, South East and Middle East. She has also spread her tentacles in many European and American markets. It can therefore be safely said that there need really be no concern about the future export achievements and domestic prosperity of Japan.

America

America exploited her immense natural resources by an exuberantly enterprising population and became a great manufacturing power by multiplying her industrial production. Ever since her emergence as a large-scale manufacturer of industrial and consumer goods, she has been mightily engaged in evolving methods of marketing which would absorb the whole output of the fantastic production facilities now available to her. Such a huge apparatus of production necessarily called for mass-marketing techniques corresponding in all respects to those of mass production. American manufacturers developed a scientific attitude in marketing, co-ordinating production and marketing in such a manner that the goods turned out conformed as closely as possible to the desires and requirements of the market and the various consumer sectors. Marketing is based there on precise knowledge. The range of marketing problems confronting the American economy gradually became so wide, that America began to look upon foreign markets merely as an extension of the home market in a broader setting. She therefore came to regard foreign markets as the natural outlet for her surplus output.

The pre-eminence of marketing as the starting point of production has almost become axiomatic in that country. The outmoded idea that goods sell themselves has no place in American economy. Marketing activity pervades the entire present-day economy of the United States of America. With but few exceptions, all goods produced and consumed are, directly or indirectly, affected by the marketing process. But it is not, unfortunately, a problem which can be solved easily. It is in a sense part and parcel of the larger problem of

production, and America should be thankful for her vastness which has made the problem less difficult.

Economically, America is not a unit but a collection of diversified regional economies. Yet, thanks to her Constitution which places no restrictions on inter-state trade and commerce, she is a compact country. And with the growing richness of her vast home market, she can apply to a far greater extent the cost-reducing methods of mass production and mass marketing than is possible for any other country. The productivity of American manufacturing industry is much higher than that of Great Britain, Germany, France, Italy, Norway and Sweden, and, in fact, of any other European country including Russia. The huge home market, free from obstacles to inter-state and inter-regional trade, has made possible large-scale marketing, specially as American businessmen are readier to adopt new methods and practices in marketing than their European counterparts.

In the nineteenth century, America was only an unimportant satellite of the European manufacturing industry, and it was only in 1920, shortly after World War I, that the American manufacturing industry surpassed its European counterpart both in the scale of production and in the technique of marketing. The giant strides which she made in industrial production in subsequent years was accompanied by great changes in the technique and in the practice of marketing. Today, the American manufacturing industry enjoys considerable superiority over its European counterpart due to her mass-production methods and her superior technique of marketing. Largely through the application of scientific methods of marketing, she utilized her potentialities in the industrial field to such an extent that today she leads the world. If the industrial revolution was born in Great Britain, the marketing revolution had its origin in America. America's marketing revolution continues to manifest itself in the application of more efficient ways of selling and distribution. Rightly did Mr. Eldridge Haynes comment: 'The first half of the twentieth century can properly be described as the era of the greatest advances in science, technology, and production in all human history. The second half, I predict, will witness an equal advance in the art and science of

marketing. And that will mean, as did the industrial revolution, more goods for more people at less cost.⁶

It is clear from the example of America that advanced industrial skills and marketing efficiency based on a huge home market provide the country with tremendous marketing strength in international markets. America's ability to introduce many revolutionary ideas in the domain of marketing was due to the fact that she was the first country in the world to develop and apply systematic market research. Today, market research has become the most effective weapon in the armoury of marketing. America was also a pioneer in exploring retail and wholesale systems of distribution, through a country-wide survey of the channels through which goods pass from the manufacturer to the consumer. Again, she was the first country in the world to develop supermarkets in the early 1930's.

America did not build her marketing structure in a day. But the country displayed a tremendous interest in, and awareness of, marketing, from the time that she became a huge producer of industrial and consumer goods. 'The fact that approximately one out of three people gainfully employed in the United States is engaged in the work of distribution, along with the fact that on the average about half the amount paid in retail prices is for marketing service, should justify a study of the ways in which society has organized to bring goods from producers to points of ultimate use.'⁷ Marketing is a dynamic force in American economy. It touches the life of every American, almost every day. The growing recognition of the dominant part played by marketing in the American economy is a fundamental phenomenon of the age in which we are living. These basic facts help in understanding the structure of marketing practices of America, the distinguishing feature of which is that everything is done on a mass scale. It is not to be wondered at then that marketing efficiency is at its peak in America.

⁶ See *Markets and Marketing Techniques*, Marketing Series, Number 89, American Management Association, New York, p. 7.

⁷ Edward A. Duddy and David A. Revzan, *Marketing*, Second Edition, New York, p. 13.

India

As an under-developed country, India stands in direct contrast to America in the field of marketing. She is a land of villages, and before the advent of British rule, the Indian village was self-sufficient, depending usually on goods produced by cottage industries within the village itself. Marketing was therefore highly localized, but during the British period, the opening up of the villages by means of roads, railways and steamships transformed the entire marketing structure, with the result that the whole country was converted into one compact and homogeneous market. At first, British and European manufactured goods, and later, American and Japanese manufactured goods began to penetrate to the remotest corners of the country, but whereas the foreign manufacturer and exporter employed all the modern weapons of marketing, the Indian manufacturer chiefly relied on antiquated methods and made no attempt to cut marketing patterns with any precise tool. He only sought protection against foreign manufactured goods so that he could compete successfully in the vast indigenous market for cheaper varieties of goods, and was satisfied if he absorbed his production in the home market. He did not take the initiative in competing in foreign markets. It was the shippers and exporters who came forward and marketed his produce in foreign markets.

Viewed against this background, it can be easily said that India is a country where marketing is still in its swaddling clothes. The Indian market is one of the biggest single markets in the world which, if developed properly, could stimulate 'one of the greatest industrial revolutions' because of the vastness of the number of domestic consumers and its immense natural resources for international commerce.⁸ There are tremendous possibilities of market development in our country with about 450 million potential buyers for Indian manufactured goods, if only their purchasing power could be raised. If Indian manufacturers really want to capture this vast market and intend to have an expanding economy through

⁸ See the Inaugural Speech by Shri Manubhai M. Shah, Industry Minister (now Minister for International Trade), at the Marketing Conference held under the auspices of the Sales Executive Association of India, on 21st February, 1959.

greater industrialization, they must apply the right processes and adopt the proper technique of marketing so as to dispose of the Indian manufactured goods as soon as they are turned out from the factories.

The Indian market is now not only a radically different market from the one that existed in the past, but it is also a much vaster one, and the people who make up the market are different in many ways from their forbears of the good old days, for they have been exposed to wider perspectives of life. The transformation in our mode of living, in our habits and customs, has brought corresponding changes in the demand for consumer goods. Many women, single and married, are gainfully employed in bigger towns, a fact which has also affected Indian marketing to some extent. For good or for evil, plain living and high thinking is no more the motto of an average Indian consumer.

Historically, there has been a steady movement of the population from the rural to the urban areas, and in recent years this trend has been accentuated, a fact which is evidenced by the fact that the population in all the towns of India has increased since the outbreak of the last war in September 1939. The increases and shifts in population, and their distribution according to age groups have posed great problems for marketing. These changes have crept up on India so subtly, that many of our manufacturers have not realized what has actually happened. Even today, they have not understood the importance of market research and advertising, though undoubtedly there are some prominent exceptions in every manufacturing industry in the country.

India as a nation must now take up the task of remedying *this sorry state of affairs*, and *Indian manufacturers must* make sure that their manufactured products are competitive both in quality and price. Her trade commissioners should possess an impressive background of Indian trade and industry and provide relevant information to Indian manufacturers regarding changes in the tariff, customs and import regulations in foreign countries. The Indian manufacturing industry must become export-minded and sell a part of its products in the world markets. This means that we should address ourselves to the task of effective marketing. The

Government should also adopt various export incentive schemes. The building up of a new India is a vast enterprise for which the private manufacturers and the Government as the State manufacturer should work in unison so that the country may develop into a major marketing power.

The world is not accustomed to looking upon India as a supplier of manufactured goods, and it was only World War II and its aftermath that placed India in such a position. India stepped into foreign markets, which were formerly served by Japan and other countries. During and after the war, no other country was in a position to take up this role. Now the normal marketing conditions have been restored. It is therefore imperative that India should keep in constant touch with these markets, so that she might not only place Indian manufactured goods in already existing markets, but also develop potential markets. She must produce goods and services at the prices, in the time, and in the form that are acceptable to her foreign customers. In doing this, however, the home market must always be the base from which the operations for securing more foreign markets will have to be launched. Thus the home market should be the first charge on indigenous production, but foreign markets should not, in that process, be forgotten.

At present there is such a long and continuous line between the Indian manufacturer and the consumer of his goods in the home market, that consumption is considerably delayed even after taking into consideration the long distances between centres of production and points of consumption. Here the wholesaler occupies a key role, as he is entrusted with the task of distribution. He has built on his own a pipeline of supply with the help of numerous retailers who undertake to distribute manufactured goods in the interior of the country and meet the requirements of consumers. It is therefore through retailers that goods for personal consumption came into the hands of the consumer. Since the time-lag between the points of production and those of consumption is unduly long, marketing efficiency is at a low ebb. This unduly long time-interval between manufacture and marketing indicates the extent of waste. The Indian manufacturer must bestir himself in the matter of marketing, and mobilise

all modern resources at his command, so that he has a tight control over the home market, reducing the time-interval between production and consumption.

So far as the channels of marketing are concerned, they are virtually the same as in other countries, though the number of people engaged in marketing is much larger than elsewhere for marketing the same volume and value of manufactured goods. It would not take long to find out the truth of this statement if one goes about and sees the hawkers' corners in Indian towns, and the many unauthorized small hawkers and street-sellers of consumer goods, particularly in the metropolitan towns of Bombay, Calcutta, Delhi, and Madras. The bargaining instinct seems to be predominant with Indian consumers, particularly among women-folk. Anyway, manufactured goods pass either directly from the manufacturer to the consumer, or through wholesalers, retailers and other methods of marketing.

Marketing abroad is generally done through shippers and exporters, though the present tendency is for manufacturers to take the matter partly into their own hands. Efforts are certainly being made to maximize our export trade. There are as many as forty-five Indian trade centres and show-rooms abroad.⁹ Besides, an Export Promotion Directorate has been opened which maintains close liaison between the Federation of Indian Chambers of Commerce and Industry and other trade organizations, and thus the marketing of Indian manufactured goods abroad has been placed on a well-planned basis. The State Trading Corporation has also become an important instrument in export marketing. Nor is this all. The establishment of the Board of Trade in the wake of the formation of the Department of International Trade marks a considerable advance on the subject of export promotion. The problem of export trade could not be considered and tackled in isolation for any length of time. The integrated character of a dynamic policy in the realm of overseas marketing had never been so urgent as today in the context of developmental planning. The Board is called upon to evolve an elaborate follow-up technique to watch the progress or retreat in different foreign markets, and to undertake studies

⁹ Handbook of Export Promotion, 1962.

and research in trade in individual commodities. It is a continuous process in marketing which can never come to an end. It is clear enough that if we want to build up our export trade in Indian manufactured goods in a relatively short period, a part of our industrial production will have to be diverted from the internal to the external markets. This would naturally lead to certain shortages of Indian manufactured goods in the home market, but we must be prepared for such a sacrifice in the interests of the marketing development of the country.

In his *Industry and Trade*, Marshall remarked that India, 'though less agile, is developing renewed vigour and independence in industry as in thought. She is the home of some of the greatest thoughts that have ever come to the world ; and the originator of many of the subtlest and most artistic manual industries.'¹⁰ Today again, she has come into her own with rapidity, but she must bid good-bye to old antiquated methods of marketing for meeting the challenge of the modern age. She will, however, have to travel over a long and thorny path before she can meet success. Nevertheless, she must go forward, facing all difficulties, so that she may eventually become a great manufacturing power, thus regaining her former glory in a new way.

Coherent Marketing Practices

We began this discussion with divergent marketing practices. We indicated the patterns of marketing of the more industrially advanced countries of the world as also of India, and we must now end with what may apparently seem to be an opposite theme—a contradiction in terms. It has been seen in the foregoing discussion that the threads have been gathered together to form patterns of suitable shape and design which surprisingly resemble the patterns formed by other nations, and so it may now be said that they form a coherent picture as a whole. So compelling are the present developments in the field of marketing in the world that there is the urgent need of weaving the different patterns into a common fabric. We may conclude with a fervent hope that these seemingly divergent marketing practices of the nations of the world

¹⁰ Alfred Marshall, *Industry and Trade*, 1919, p. 162.

would be cast in a larger mould, which would ultimately enlarge and economise the processes of marketing to the broadest and fullest extent possible.

CHAPTER THREE

DISTRIBUTION AND ORGANIZATION

DISTRIBUTION

Distribution in Relation to Other Problems

Distribution¹ is often used as a synonym for marketing. More correctly, distribution relates to the buying and selling functions of marketing, and to the institutions and methods which implement them.² It is thus the most important aspect of marketing, covering the physical arrangements, i.e. geographical inlets and outlets for goods. It can therefore be called the heart of marketing. It is subject to the conception of marginal utility. It impinges on the problem of demand and supply, industrial organization and efficiency, political relations and commercial policies. Since distribution depends upon the means of conveying manufactured goods from one place to another, it has a direct relationship with the transport system.

The Importance of Distribution in the National Economy

It is not enough merely to manufacture goods : goods manufactured must also find ready markets. So far, the pace of industrial development in India has been hampered by the restricted, uncertain and halting distribution of manufactured goods. No manufacturer would accumulate huge stocks and yet continue production under such a marketing situation. Production under such conditions would lead to the operation of the law of diminishing returns. Ways and means must therefore be found by which industrial development can be encouraged, and the solution of this problem lies in the creation of markets for the goods manufactured. This implies, in the first place, the ability of the masses to purchase, because what is

¹ *Distribution* in this chapter is not used in the technical sense of the economist, viz. *distribution of wealth*, but it relates to buying and selling. It is narrower than marketing, and it has thus long been divorced from the similar term used in economics. The term *Distribution* should be clearly understood at the outset in order to comprehend the subject-matter of this chapter.

² P. H. Nystrom (Editor), *Marketing Handbook*, 1954, p. 9.

produced must also be consumed. This is the groundwork on which the whole structure of economics is built. Thus, distribution is an inevitable accompaniment of production. During World War II when there was a phenomenal growth of industry in India, industry was working under unusually favourable conditions. Prices at that time were determined not in accordance with the relative value and utility of goods, but according to the value of these goods as requisites for the war. In the post-war period, too, persistent inflationary forces have, in general, kept demand for goods well ahead of supply. It would be unrealistic to assume that such a sellers' market will continue indefinitely. The experience of the cotton textile industry in 1957-58 and that of the sugar industry in 1961-62 show that deficiency of demand cannot be ruled out. As industrial development proceeds, the problem of distribution is likely to acquire greater urgency. In fact, any country which neglects the problem of distribution must lag behind in the industrial race.

Distribution Surveys

Distribution is always a means to an end, and never an end in itself. Distribution surveys are worthless unless they serve the immediate purpose of improving the efficiency of publicity and sales organizations. Again, distribution surveys, if they are to serve their proper purpose, which is more effective publicity and sales organization, must be wisely planned, accurately compiled, and interpreted with sound imagination and judgment.

A radical change in the mechanism of distribution has become necessary, and the first step in that direction is for individual firms to undertake distribution surveys in respect of their particular merchandise. It is surprising that while scores of firms have been spending vast sums of money on improving manufacturing methods, they have not displayed the same awareness in regard to the problem of distribution. The result is that in India distribution is lopsided. Indian manufacturers have not yet realized that gains in the more remunerative areas have to carry the losses of the less remunerative ones ; they are quite content if the year's overall business shows a profit. This is the reason why the present system of distribution has become a serious problem. It is

only recently that manufacturers in India have begun to appreciate that distribution has lagged far behind the progress made in industrial production, and that an effective distribution system reduces the cost of marketing and results in an overall economy. The happiest augury for Indian industry is that Indian manufacturers have at last realized the necessity of distribution surveys which can enable them to concentrate upon the more paying areas by diverting their attention from the less paying ones, thereby enhancing their profits. They are thus inclined to take this first step in effective distribution.

Each and every Indian firm must conduct distribution surveys for itself, for just as one swallow does not make a summer, so one or two experiments in distribution surveys by a few Indian firms will not improve the marketing efficiency of Indian industry as a whole. The need of the hour is for the employment of this technique by as many Indian manufacturers as possible who should start work immediately, for it may take many years before they reach the promised land of prosperity.

The technique of distribution survey is briefly outlined here for the benefit of the distribution analyst, who should be intimately concerned with the following :

- (1) Are the manufactured goods satisfactory ?
- (2) Have the manufactured goods a good market ?
- (3) What should be the course of development ?

The above three questions call for analysis.

1. *Are the Manufactured Goods Satisfactory ?*

- (a) What is the composition of the manufactured goods ?
- (b) How long have they been in the market ?
- (c) Are they superior to other similar goods ?
- (d) Is their price reasonable and competitive, i.e. do the rate to the dealer and the price to the consumer meet competition ?

2. *Have the Manufactured Goods a Good Market ?*

- (a) Where are they marketed ?
- (b) Where else can they be marketed ?
- (c) What is the competitor's position ?
- (d) What is the future ?

3. *What Should be the Course of Development ?*

- (a) What percentage of increase in demand will the present plant accommodate ?
- (b) What are the required additions to plant and premises for increasing the productive capacity on a Five-Year basis ?
- (c) Where should the main office be located ?
- (d) Should the manufactured goods be analysed and experimented with ?

A distribution survey which satisfactorily answers these three main questions, embodying twelve items in all, would be an invaluable instrument in the hands of the manufacturer, because it would constitute the test of his marketing capacity. It will help in placing the strong, the middling, and the weak areas into the limelight ; and thus improvements, alterations, and economies may be effected. It will bring his sales in each area into relation with the total trade in that area, and show what he can earn, and in what manner. It will give a constructive idea of his sales as compared to those of his competitors, and his selling methods and expenses as compared to those of his rivals. With such a survey in his hand he can conduct market research, and develop the marketing system of his products.

Principal Channels of Distribution

Three major channels of distribution suggest themselves at once. They are :

- (a) Established trade channels ;
- (b) Direct from manufacturer to consumer ; and
- (c) Mail order.

(a) *Established Trade Channels* : Under this distribution channel, a host of middlemen play useful roles in the transfer of goods from the point of production to the point of consumption. These middlemen render a multiplicity of services in a variety of ways. This method is most commonly employed, particularly in consumer goods. The care with which these established trade channels are chosen vitally affects the success of marketing efforts. The choice of a channel, or of a combination of channels, of distribution, by the manufacturer presupposes a clear-cut definition of the market to be served.

Since distribution requires a greater sensitiveness to changing situations and promptness of decision than manufacture, it is the responsibility of the manufacturer to formulate sound distribution policies, and constantly to act upon them, so as to secure the objectives he seeks. He should distribute his goods only through those middlemen who are motivated by the idea of service. 'He profits most who serves best' should be the guiding motto. The chief drawback of this distribution channel lies in the fact that there is a shift of emphasis from production to distribution, and consequently the distributor plays a more important part than the manufacturer in the scheme of sales control. Sometimes the manufacturer is completely in the hands of the distributor, and has to plan and carry out his own manufacturing programme in accordance with the dictation of the distributor. Sometimes the distributor provides the styles and designs, and insists that goods should conform to them. It would be better for the manufacturer if he issues enough distribution literature so that he may continue to have control over the market he serves.

(b) *Direct from Manufacturer to Consumer* : Of late, this channel of distribution is being utilized to a greater extent than ever before. Many manufacturers have recently experimented with this system with varying degrees of success. 'When the manufacturer decides to open his own retail stores to sell to consumers, he is faced with problems such as (1) choosing and leasing desirable locations, (2) properly equipping and arranging the stores, (3) selecting, training, and compensating retail personnel, and (4) maintaining adequate staff to control store operation successfully—with all of which he is commonly unacquainted. Before undertaking direct sale to consumers in any form, therefore, the manufacturer needs to investigate all the relevant factors carefully, and be convinced that the advantages he hopes to gain through closer and more intimate contact with his market will more than offset the expenses incurred.'³ In the olden days, there was always direct sale by the manufacturer to the consumer, when the manufacturer used to meet the needs of a small circle of customers whose requirements he knew intimately.

³ Richard M. Clewett, *Marketing Channels for Manufactured Products*, Homewood, Illinois, 1954, p. 370.

Others are scantily bearing what they would carry in abundance if only it could be conveyed where it is needed. Every increase of facilities for trade has been attended with an increased demand for articles of European produce in the most distant markets of India. Ships from every part of the world crowd our ports in search of produce which we have, or could produce in the interior but which at present we cannot profitably fetch to them.⁵ It was Lord Dalhousie's enthusiasm and initiative which brought about the development of railways in India. Thanks to the Indian War of Independence of 1857, Lord Canning could devote himself to the development of the railway system in India on strategic grounds. Again, the Suez Canal was opened in 1869. Thus the marketing of European, and specially of British manufactured goods, was made possible in the very distant market of India. After 1869, England could procure Indian agricultural produce and industrial raw materials without much difficulty and at low prices.

Transport plays a predominant part in the distribution of manufactured goods, bestowing both the advantages of time and place to all goods transported, thereby enhancing their economic value. It occupies a pivotal place in the distribution mechanism. It is the woof around which is woven our economic life. Had the development of transport not coincided with the development of factory production, vast quantities of manufactured goods would have rotted through lack of proper transport. It has, in fact, shaped and influenced the entire structure of distribution. Not only does transport extend the area within which manufactured goods can find purchasers, but it also affects competitive costs and the retail prices of those goods.

Marketing development is impossible without an efficient system of transport. Adam Smith pointed out in his *Wealth of Nations* that the division of labour must always be limited by the extent of that power, or, in other words, by the extent of the market.⁶ This in turn provokes the question of the extent and efficiency of the means of transport. Without the

⁵ B. B. Mukherjee, *Agricultural Marketing in India*, p. 162.

⁶ Adam Smith, *Wealth of Nations* (Cannan's Edition), New York, p. 17.

place-utility which transport creates, the distance factor in consumption and the location factor in production would be insoluble. Transport is the life-blood of the distribution system. Since this is so, various forms of transport should be developed in India in a highly co-ordinated way. Prof. M. K. Ghosh in his *Transport Development and Co-ordination* forcefully remarks : ' India is a vast country and railways will never be able to penetrate every nook and corner of the land.'⁷ He therefore advocates the development of mechanical road vehicles which can reach even the remotest parts of the country. Its prerequisite is the existence of an efficient road system. He further wants an effective co-ordination of the different modes of transport if we really desire to reap the maximum benefits.⁸ The marketing development of India in the difficult years that lie ahead will largely depend on the development of different modes of transport. The Planning Commission therefore gave transport very high priority in the Second Five-Year Plan (1956-61), by allotting Rs. 1,385 crores to it, which amounted to 29 per cent of the total outlay in the public sector.⁹ In the Third Five-Year Plan (1961-66), the provision has been raised to Rs. 1,486 crores, which amounts to 20 per cent of the total outlay in the public sector.¹⁰ In spite of this, a serious transport bottleneck has appeared and is one of the most important reasons for the initial slowing down of the tempo of industrial expansion in the Third Plan. The pace of economic development in India is very much dependent on the provision of adequate transport facilities. Substantial economies in the aggregate costs of distribution can only be secured by providing adequate transportation facilities.

A Critical Analysis of the Latest Developments in Distribution

Marshall has said : 'It is however true that producers often see the prices, which they receive for their goods, increased beyond reason in the charges made to the consumer ; and form associations for influencing, and even completely undertaking, the marketing of their goods, at all events as far as the retailer.'¹¹

⁷ M. K. Ghosh, *Transport Development and Co-ordination*, Revised third edition, Allahabad, 1953, p. 117.

⁸ *Ibid.*, p. 115.

⁹ See *The Second Five-Year Plan*, Main Report, 1956, p. 459.

¹⁰ See *The Third Five-Year Plan*, 1961, p. 58.

¹¹ Alfred Marshall, *Industry and Trade*, p. 280.

Many more developments in the system of distribution have occurred since Marshall wrote these lines, and marketing channels have been streamlined in the recent past in almost all the countries of the world. The growth of big department stores, mail order houses, chain stores, etc. and the tendency to eliminate all sorts of middlemen, both horizontally and vertically, are but different phases of the effort to cut distribution costs by simplifying marketing methods and processes through rationalization.

Any critical analysis of the present system of distribution and all suggestions for its improvements must necessarily keep every one of these different distribution functions clearly in mind, as each of these functions represents a necessary operation several times over. The elimination of middlemen, both horizontally and vertically, will not, *ipso facto*, eliminate their functions; these functions will merely be transferred to others. The elimination will not necessarily reduce the cost of distribution. This is not difficult to understand when one remembers that when goods are sold by manufacturers direct to consumers, a large sales staff has to be maintained, goods have to be delivered at the proper time and in the proper places, and large credit risks have to be accepted, in addition to numerous miscellaneous selling costs which also have to be borne. Case studies have shown that in many cases the cost of distribution has increased by the elimination of the middleman. It is therefore necessary not to disturb the existing channels of marketing, and direct distribution should be undertaken only when manufacturers are convinced that by doing so, they stand to gain by entering into more intimate contact with consumers for their goods. Nevertheless, they should choose that channel of distribution which will contribute most towards securing and maintaining a sufficient volume of sales at a reasonable cost and with a fair resultant profit.¹²

Manufacturers as a class are anxious to be as closely associated with the general public as possible. They want to be in constant touch with the buying habits of the people, because they want to establish, maintain and develop a good

¹² Richard M. Clewett, *Marketing Channels for Manufactured Products*, Homewood, Illinois, 1954, p. 370.

reputation for the goods manufactured by them. That is why manufacturers prefer to spend money on advertising and other items so as to facilitate the distribution of their manufactured products. The keystone of a wise distribution policy should be in all circumstances to provide the maximum possible value for money to the consumer who spends in purchasing the goods. It should, therefore, be the constant aim of manufacturers to reduce not only manufacturing costs but also distribution expenses in whatever way possible. But here it must be understood that merely eliminating one or more functionaries in the distribution system will not, of itself, ensure better and cheaper distribution. Many of the nostrums which have been recently advocated, if adopted, would simply result in economic waste unless sound merchandizing principles under competitive conditions are also applied. It is only this aspect of distribution, leading to the manifestation of individual initiative, which can substantially reduce distribution expenses. What is therefore required by modern conditions of production and consumption is the most effective performance of these functions, no matter how they are performed.

ORGANIZATION

The Need for Marketing Organization

‘The marketing organization of a place depends upon the economic organization of its society. In the days of the barter economy marketing organization must have been of the simplest kind. Production was on a small scale and the gap, in time and distance, between the producer and the final consumer was of an insignificant character. With the increase in the size of business unit necessitated by the revolution in the technique of production and transport, the producer has confined his activities to the improvement of the production side only. The distribution and exchange functions are delegated to specialized agencies.’¹³ With the growing complexity of economic organization and the rising tempo of modern industrialization, the separation of producer and consumer in space and time has thrown additional weight and responsibility upon the marketing organization.

¹³ K. L. Govil, *Marketing in India*, 1954, p. 39.

The organization of marketing is a constructive force without which modern marketing cannot be carried on at all. This aspect of industry has suffered comparative neglect till very recently, in contrast to the improvement of manufacturing methods which received attention much earlier, and which is reflected in the fact that schools of engineering of all kinds have developed the technology of manufacture almost to perfection. It is only now that marketing organization is being strengthened along with manufacture. Competition requires manufacturers to be in constant touch with rival goods of different varieties and qualities if their own products are to be successfully marketed. Competition among mills and factories offering identical goods is so keen that a difference in price of a few naya paise per yard or per pound shifts business from one mill or factory to another. A buyer is only concerned with getting his goods at the lowest possible price, whilst the seller naturally wants to secure the highest possible price for his goods. Therefore, the seller must, as a matter of necessity, fortify himself with a marketing organization, if he is to survive under modern competitive conditions. A marketing organization is thus both his shield and his sword. In this way, he can adjust his manufacturing and marketing policies and keep production going.

Principal Functions

One of the essential functions of a marketing organization is storage, which co-ordinates manufacture with marketing. The other important function is to provide the manufacturer with the services he needs in laying down and carrying out his policies. He relies on it for information as to the kinds of goods that are in demand, the best time for selling his goods, and the best price he can get for them. It keeps him informed from time to time of what is wanted in the market and so enables him to decide promptly which raw material to buy or where to move his goods to catch a season, thus enabling him to make hay while the sun shines.

Specialized Middlemen Agencies

With the specialization of manufacture and marketing, the manufacturer has been content to hand over his manufactured goods to specialized agencies of middlemen for purposes of

marketing. His primary interest lies in improving manufacturing processes and so it becomes increasingly difficult for him to pay adequate attention to the marketing side of industry. Moreover, he is very often handicapped by limited resources. As a result, trade has developed many specialized middlemen agencies or marketing channels which have made marketing quite complicated. Some idea of the complexity of marketing organization may be obtained by considering these agencies, which are :

1. Wholesalers
2. Jobbers
3. Sales Agents
4. Retailers
5. Chain Stores
6. Multiple Shops
7. Department Stores
8. Mail Order Houses
9. Brokers
10. Buyers' Agents
11. Commission Merchants or Houses
12. Country Buyers or Shoppers
13. Co-operative Organization

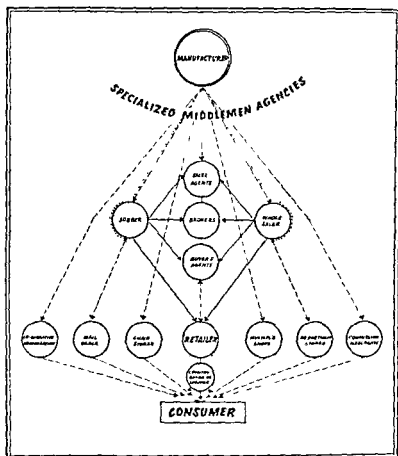
These marketing agencies have been depicted in the diagram given on the following page. This diagram gives a clear-cut idea about the transfer of goods and services from the manufacturer to the consumer and the agencies connected in the entire process of the transfer.

We shall now discuss each of these agencies in turn.

1. *Wholesalers* : The wholesalers are merchants who buy merchandise in large quantities from manufacturers, and parcel out the products in smaller lots to retailers and others, who replenish their stocks by placing frequent orders. They place orders in advance of consumer demand. Sometimes they advise the manufacturers to produce goods according to certain styles and designs so as to meet the consumer's preference.

Manufacturers effect savings in transport costs by selling their goods in big lots. The wholesalers bear all the risks of marketing the products after they leave the hands of manufacturers and in return they get a small margin of profits per

TRANSFER OF GOODS & SERVICES FROM MANUFACTURER TO CONSUMER



unit. Nevertheless, the aggregate profits are handsome. They distribute catalogues, show-cards, circulars and other advertising material to retailers and others. Sometimes they undertake publicity on behalf of manufacturers. Wholesalers perform a specialized function in distribution and very frequently advise and help the retailers served by them.

The vast bulk of the marketing of products is done through wholesalers, which explains why they hold the preponderant position in the distribution mechanism. Of late, however, because of the weak and vacillating distribution methods adopted by wholesalers, chain and department stores have made frequent incursions into their legitimate functions, and large-scale retailers have resorted to direct marketing by establishing links with manufacturers. However, the fact that in spite of severe criticism, the wholesalers are still playing an exceedingly important role in distribution goes to prove their usefulness.

2. *Jobbers* : The main function for jobbers is to assemble products for sale to retailers. They buy in huge quantities and, like wholesalers, bear the marketing risks. For all intents and purposes, they are wholesalers. They are always on the lookout for any source of supply which will provide them with products of better quality and in greater quantities, at the right time and at the lowest possible price.

3. *Sales Agents* : These agents function more or less as wholesale middlemen. Their authority over sales is strictly circumscribed by the fact that they act for and on behalf of the manufacturers. Their dealings with the outside world are regulated by a contract with the manufacturer or manufacturers as the case may be. They often handle the entire output of several mills, style the goods for the manufacturers, extend financial aid to them, and perform functions connected with credit and collection. They have established themselves as the dominant channel of distribution, keeping abreast of the latest marketing information as also of changing business and market conditions.

4. *Retailers* : Retailers are the most common distributors of goods and are the backbone of marketing. They sell goods to the ultimate consumers. In this task, they perform all the marketing functions such as anticipating the needs of

consumers, assembling and storing goods, financing and risk-bearing. Viewed functionally, they differ widely, but fundamentally they are all alike in the sense that no matter how they obtain goods, they undertake to dispense goods to individual consumers by placing them on sale at easily accessible points. They afford a certain outlet for the merchandise. They are a link between the wholesaler and the consumer. The work of retailing is vital to both producers and consumers. The number of retailers engaged in marketing is very large. Many retailers know not only their customers personally but also their families and near relations, and sometimes they take a personal interest in the family affairs of their customers. In brief, they hold the key to consumer buying.

5. *Chain Stores* : Like any other large-scale business, chain stores have begun to rely on division of labour and elaborate organization owing to the very nature of the marketing tasks they are called upon to perform. They combine the advantages of both large-scale and small-scale retailing without the disadvantages of either. Apart from effecting large-scale economies by engaging full-time sales personnel and specialized staff, they cut down overhead expenses. They comprise a number of unit stores operating under the same management and control and follow identical policies. They enjoy the economies of departmentalization and are thus able to satisfy the consumer by supplying standard goods at competitive prices.

6. *Multiple Shops* : Multiple shops have large buying power. Consequently, they can frequently compel the manufacturers to incorporate their names, etc. on the products to be marketed. Specialized selling is thus assured. Usually, they are able to sell at cheaper rates than is possible for independent retailers, since they buy manufactured goods at lower prices directly from the manufacturer by virtue of the fact that they command greater control. What is more important, they are able to give comparatively better service and more comforts to the consumer of manufactured goods. Naturally, they are able to increase their aggregate sales and thus help the national economy to a much greater extent than a large number of retailers together.

7. *Department Stores* : These stores are more or less retail establishments marketing a large variety of products through different branches or sections. They exercise greater skill in buying goods, which is usually done on a decentralized basis. They display products in an attractive fashion so as to arrest the attention of the general public. The successful working of many department stores in the larger cities of India like Bombay, Calcutta, Madras and Delhi is indicative of their importance as a marketing channel.

8. *Mail Order Houses* : As one of the principal channels of distribution, these houses have found their place under distribution, though their proper function places them beyond this category. They solicit patronage from consumers by sending out catalogues, circulars and the like, describing the usefulness of the merchandise. They send goods by parcel post. These houses need not select the best sites because the buyers are not expected to visit them for purchasing goods. Generally, they sell goods on a ready-cash basis. In America, the mail order houses have demonstrated a high level of merchandizing skill. They sell goods through the mail to urban and rural people alike owing to high degree of literacy, and bolster their selling operations by offering liberal instalment credit terms.

9. *Brokers* : Brokers are the simplest functionary in the distribution mechanism. They specialize in selling or buying for their principals without actual possession of, or title to, the goods. Their main function is to bring buyers and sellers together. They receive commission either on a percentage of the value of the goods, or on a flat rate per unit of goods bought or sold. They do not assume any credit risk and are not identified as the local representatives of either buyers or sellers : they are merely a 'go-between'. Generally, they operate in those trades in which goods are highly standardized, and which can be obtained from numerous sources.

10. *Buyers' Agents* : These middlemen are sometimes the salaried representatives of principal buyers who undertake the marketing operations for and on behalf of their principals. Sometimes they also work on a commission basis. They are usually employed by those buyers who do marketing on a large scale. In India, they have begun to play an important role

in certain varieties of commodities which are now being handled by the State Trading Corporation of India.

11. *Commission Merchants or Houses* : These merchants or houses perform different kinds of marketing activities and show wide variations in forms and functions between individuals and individual concerns. Although they represent sellers as a general rule, yet sometimes their role is reversed inasmuch as they represent buyers. Their most important function is to ascertain the markets in which their clients' products can find a ready sale at favourable prices. In return for all the services they perform, a certain percentage of commission is usually allowed to them by their principals.

12. *Country Buyers or Shoppers* : Country buyers or shoppers are generally poor. All the same, they are an important link between village and town. They enable villagers to avail themselves of modern factory products at cheap prices.

13. *Co-operative Organization* : The aim of co-operatives is to combine retail selling with the advantages associated with bulk purchases of goods and commodities. 'All for each, and each for all' is the motto of a co-operative organization. This system of retailing has made some headway in India in the universities and colleges, and amongst factory workers, Railwaymen and Posts & Telegraphs staff, and to some extent in Indian towns. The system is likely to develop more and more in the immediate future in India because of Government's determination to keep the price line in check largely through consumers' co-operatives. It has already made prodigious strides in Great Britain where about one-quarter of the retail trade is conducted through this channel. In Russia almost two-thirds of the sale of all consumer goods is handled by co-operatives. There are powerful consumers' co-operative stores in that country. But this system has made no impact in America, because an emphatically individualistic approach to business is very pronounced in that country.

Principal Features of Modern Marketing Organization

The principal features of modern marketing organization are specialization of functions, standardization of manufactured goods, the employment of many middlemen, business by speculation, rapid means of communication, central

organization, expert advice and publication of reports.¹⁴ An efficient marketing organization enables effective distribution at reduced rates. It is no exaggeration to say that to build our distribution system without an efficient marketing organization is to build upon sand.

Specialization

Specialization is a basic principle in the understanding of marketing organization. Specialization is a technical term for all those different phenomena—technological, social, biological and economic—which are usually subsumed under the phrase ‘division of labour’.¹⁵ But here for obvious reasons specialization is narrowed down to territorial or geographical specialization.

Specialization has been closely bound up with the rise of machinery in industrial production, the growth of large-scale combinations, both horizontal and vertical, and the standardization of manufactured goods. With the greater specialization in the field of production, the scale of manufacturing operations has increased *pari passu*. This has resulted in separating widely manufacturers from consumers of their products in space, in time, and in knowledge. Specialization has also facilitated the marketing of manufactured goods, promoting, in the process, marketing organization.

Standardization

Standardization constitutes in a way the current dictionary of commerce. Its widespread acceptance and widest possible dissemination are possible through an efficient marketing organization. Marketing of manufactured goods is not readily possible without knowing their standard units of size, weight and quality. In order that the marketing of manufactured goods may be conducted scientifically without perpetual scrutiny of every package, the system of standardization must be introduced in moving goods, from the manufacturer to the consumer.

In olden days, when the manufacturer or trader, generally speaking, operated on a small scale, and mostly served the local population, he could meet his consumers himself and push his goods by word of mouth, but this is no longer possible

¹⁴ A. M. Lorenzo, *Market Reports*, Lucknow, pp. 11-14.

¹⁵ See *The Encyclopaedia of the Social Sciences*, Vol. XXVI, p. 279.

with the organization of industries on a large-scale production basis. Obviously, the modern manufacturer cannot meet his customers, actual or prospective, and thus cannot hypnotize them by the gentle art of vocal persuasion. He serves local, regional, national, and international markets, so that unless he standardizes his products, he cannot market them successfully. Indeed, standards have made the development of marketing organization possible. In Germany, the standardization movement was closely tied up with the rationalization movement whereas it acquired impetus both in America and England under the influence of the scientific management movement. In many countries, the Government has been mainly responsible for the development of central standards organizations. In the U.S.S.R., Japan, China, and New Zealand, the central standards organization is a branch of a Government Department, being financed and controlled by Government. In India, standardization was virtually a closed book to most of her industries until the establishment of the Indian Standards Institution in 1946.

The importance of standardization in the economic life of a country cannot be too strongly stressed. Its value in the internal and external trade on which the progress of a country depends is great indeed. The marketing development of a country rests, in the final analysis, on the quality and cheapness of the goods it produces and sells in competition with the world outside. Now a National Association of Consumers has been formed in India in order to promote the standardization movement. The Indian Standards Institution has also been helping the National Association of Consumers in the matter of popularization of standardized products in the home market. The ISI (Indian Standards Institution) has also been creating interest amongst manufacturers and traders for popularizing the standards so as to give a fillip to industrial and consumer marketing.

Market Reports

The publication of market reports has become a special characteristic of modern marketing organization. These reports have raised the level of business ethics and stabilized prices of manufactured goods to a great extent. The importance

of such reports cannot be too strongly emphasized. They help in marketing goods successfully and effectively. They aim at the disposal of greater and greater quantities of goods which ultimately leads to increased production. Naturally this affords an opportunity for raising the standard of living.

Peculiar Characteristics of Modern Markets

Markets of industrial and consumer goods have two peculiar characteristics. First, prices of the same commodity are uniform and are almost at parity with other prices in markets at different places. Secondly, prices of the same commodity vary from day to day, even from hour to hour. In markets for the commodities of the first importance such as jute goods, cotton and shellac, prices may fluctuate hour by hour, but the price of a given commodity at a given time is almost the same throughout a particular market and is at parity, or nearly so, in different markets.

CHAPTER FOUR

MARKET RESEARCH

Market Research Defined and Analysed

Market research aims at ascertaining the buying habits of the people. It provides facts about markets. Markets are the people. They must be satisfied if business is to run satisfactorily. In plain words, every business has its customers, and where there are customers, there are marketing problems. These problems call for a solution through market research in order to afford satisfaction to customers.

What is market research ? It is a fact finding technique. It bears much the same relation to marketing as 'I' does to 'ops' in military parlance. Or, to use a scientific idiom, improvements in manufacture flow from research in the natural sciences, pure and applied, while improvements in marketing are achieved by research in the social sciences, specially applied economic research. Both are increasingly concerned with those branches of the social sciences which deal with human relations ; manufacture, with relations between management and men, and marketing, with relations between a company and the consumers of its products. Dr. Blankenship defines market research as an 'ancillary service that allows management to manufacture with a better idea of what can be sold, and how much can be sold, and to market with a better idea of how to combine the various tools of selling to minimize waste.'¹ The usefulness of market research has become all the greater under the present pattern of large-scale production. The production of the right type of manufactured goods is possible only when the manufacturer knows not only the exact requirements of the consumer, but also the price at which he can market his goods. The manufacturer must, obviously, take the initiative in understanding how best he can market his goods with the maximum efficiency, and at

¹ Albert B. Blankenship, *How to Conduct Consumer and Opinion Research*, p. 11.

the lowest price possible. This also results in the rationalization of marketing costs.

In addition to finding out ways of increasing efficiency of marketing even by changing the channels of distribution, it determines the design of the goods and their qualities and varieties, as also the prices to be charged so as to reduce sales resistance for these goods in the market. Market research thus covers a very wide field for assessing those factors in marketing which would otherwise remain obscure. In our present-day society, unless market research is planned scientifically, the very objective of effecting tangible improvements in marketing would be defeated.

We may go a little deeper, and analyse those factors which, whether operating from within the business or from outside, have in the past influenced demand, and are therefore likely to do so in the future. Price changes, alterations in terms, competition from new lines, variations of the seasons, etc. are the complex factors which influence marketing operations. It is for the manufacturer to disentangle the threads. Again, studies of similar goods available in the market would be immensely useful for a probe into one's products so as to effect necessary improvements. And, finally, it would be useful to assess the relative merits of various methods of marketing with a view to adopting those channels which would yield the best results. The manufacturer should safeguard his marketing interest against errors through market research in the same way as the pilot of an aeroplane uses a number of gauges and dials which help him navigate and fly his machine.

Nature of Market Research

Ever since man first began to buy and sell, market research has been practised, though unconsciously. The transaction was necessarily primitive in form in its earlier stages. Market research as a science has come to be developed only recently under the modern system of large-scale production. Today, more than ever before, it has become a major weapon in marketing. It is an essential tool of accumulating, arranging, classifying and interpreting data from primary and derivative sources, both internal and external, so that profits in business can be maximized through wise managerial decisions. It is thus a handmaiden of management. It affords one a peep

conducted before finalizing the questionnaire. The sampling technique is employed in this kind of market research.³ A typical sampling operation has to be performed. It has three stages : (i) sample selection ; (ii) collection and tabulation of data ; and (iii) analysis and observations. In the 'sample selection', we have to determine first the sample size and design. Under 'collection and tabulation of data', we have to draw the questionnaire form and collect the data by mail or interview method as previously decided upon. After the receipt of returns, tabulation of data for further analysis has to be completed. And under 'analysis and observations', we subject the data to detailed analysis, and observe its significance for the population either by estimation or by testing of hypothesis. Thus we get an idea of the unknown characteristics of the population.

This method is now widely employed for conducting market surveys. Allowance must clearly be made for the fact that sampling, that is, the selection of part of an aggregate of material to represent the whole aggregate, is a problem in inference, the aim of which is to secure the unknown information about the population from a selected segment of the population. If the survey is properly conducted, it should yield a vast amount of marketing information. It should not only save money but also make money. The saving would be effected by the prevention of wasteful technical development work, and by the reduction in sales overheads. The money is made by the expansion of sales.

Techniques of Market Research

From the standpoint of market determination, there are as many as eight techniques. These are as follows :

- (1) Testing new products.
- (2) Appraising the attitude of consumers towards established products.

³ In market research, whenever we try to evaluate the utility of a product to the consumers in general, we apply the sampling technique to assess their views about it. The manufacturer wishes to do it as cheaply as possible, in a short time, with a reasonable degree of confidence in the final inference, and there the sampling method gets its foothold. From the statistician's point of view, the only cut in expense that can be made is in the amount of interviews with the consumers. The various sampling methods to estimate a particular characteristic in the population—random, purposive, area, stratified (or representative) etc.—have their application in their particular fields. The error formula will indicate whether the sample design has been properly planned.

- (3) Determining the strength of competitive products.
- (4) Measuring the extent of the market for products.
- (5) Locating new uses for products.
- (6) Determining channels of marketing.
- (7) Checking the efficiency of distributors, wholesalers and retailers.
- (8) Determining unsatisfied needs of consumers.

A brief discussion on each of these techniques will be useful.

1. *Testing New Products* : Consumer tests give the manufacturer a fairly accurate idea about the suitability or otherwise of a new product which he hopes to place on the market, and also reveals to him its strength in the market as compared to other existing products of the same kind. Obviously, creative selling is required for moving the new product into the market. It is one of the fields of market research where salesmen have to display their talent. It is necessary to know all about existing similar products—their quality, price, and so on. It is also necessary to know the attitude of retailers to the various products.

2. *Appraising the Attitude of Consumers Towards Established Products* : Market research is one of the best available methods for making an appraisal of product lines. No manufacturer should rest on his oars after his products have acquired considerable popularity, since the consumer attitude goes on changing. A periodical check-up is essential for finding out the extent to which his customers are satisfied with his products. In this way he can meet new situations as and when they arise.

3. *Determining the Strength of Competitive Products* : It is not enough for a manufacturer merely to know all about his own products. It is equally necessary for him to know what his customers think of competing products, so that he may effect improvements in his own products for increasing consumer satisfaction, and thus ensure sustained marketing success for his products. He should, in other words, know the degree of consumer acceptance of his products in relation to that of the rival products. An evaluation of the strength or weakness of his products in relation to that of other competing products is essential for meeting a developing situation before its effect is felt by the manufacturer, so that excessive strain on his own resources may be avoided and likely failures prevented.

4. *Measuring the Extent of the Market for Products :* It is the duty of the market research man to measure market potentials. He should determine how large a market there is for the manufactured goods of the line and class the manufacturer whom he represents is engaged in. This is the most difficult job in the repertoire of the market analyst. It should be done with consummate skill, for otherwise the rivals of the manufacturer might increase the marketability of their products, adversely affecting the marketability of his manufacturer's products. Various quantitative determination techniques indicate to the manufacturer the extent of the market for his products, and enable him to concentrate on further improvements in manufacturing processes. It is possible to give too much attention to competitors' products : this generally results in an inhibited tendency to copy rather than to originate.

5. *Locating New Uses for Products :* At times consumption habits undergo rapid changes. The consumer is constantly being influenced by his environment. He is a multiple personality, and is the hub around which all marketing forces revolve. Sometimes a given product reaches the limit of possible market development. It is, therefore, necessary to stimulate new uses for a given product. Here laboratory research should be undertaken, so that this may act as a complement for market research and also direct the technical know-how to the location of new uses for such products. By establishing a close liaison between product research and market research, the fortunes of the business would be assured.

6. *Determining Channels of Marketing :* It is not possible for specialized middlemen or marketing agencies to market all products the whole time with the same degree of success. For example, if a manufacturer has been marketing his goods through one set of wholesalers and he has introduced some new lines, there is no assurance that the new lines would achieve the desired results through this set of wholesalers. It is likely that the marketing of these new products could be carried out better through another set of wholesalers, or perhaps the manufacturer might have to undertake the task of marketing himself. It is the work of the market analyst to point out to the manufacturer the best channels of marketing for better sales. The manufacturer whose thinking in the

field of marketing has not kept pace with the changes in the market situation, finds himself in the same position as a nation which tries to fight today's war with yesterday's weapons with disastrous results.

7. *Checking the Efficiency of Distributors, Wholesalers and Retailers* : A surprise check-up of the channels of marketing through which the manufacturer's goods pass for final consumption is necessary. The manifold marketing activities of these channels can then be tested on the touchstone of accepted marketing principles. Such a step would lead to sustained marketing efficiency, as the manufacturer would be in a position to know the worth of his products according to those who buy them for ultimate use, and any suggestions forthcoming from this source can easily be adopted for the greater success of the business. This provides a sort of customer evaluation. As such, it can be used with advantage by the manufacturer for further planning.

8. *Determining Unsatisfied Needs of Consumers* : This is the most fruitful application of market research technique, because it taps new and potential customers and those customers who are not fully satisfied for one reason or another. The market analyst should devote more thought and planning to this sphere. A market analyst who is aware of the responsibility he carries, will do the job well, as he will grasp the situation. The manufacturer should keep his finger constantly on the pulse of the situation, so that he can go ahead.

To sum up, the task of the market research technician is, in the first place, to find out what can be marketed, and in the second place, how best it can be marketed. His best training is provided by experience if he possesses robust common sense and a good commerce education.

Marketing Information and its Classification

Marketing information is the first step towards conducting market research. 'Quantitative information as to marketing and the marketing process is extremely sparse and must remain difficult to obtain because of the very complexity of the subject, the vagueness of its delimitation and the rapidity with which conditions in the field change.'⁴ Though it is

⁴ See *The Encyclopaedia of the Social Sciences*, Vols. 9 & 10, p. 137.

undoubtedly a tough job, yet a methodical effort should be made to construct some kind of picture of marketing information which may lead to the marketing advancement.

Manufacturers as a class must of necessity pay more than lip service to market research—their awareness of the importance of market research would in itself be a step in the right direction. It is only now that manufacturers have begun to realize the overwhelming importance of market research in the scheme of marketing. As a result of the widespread acceptance of market research in the field of marketing, it has begun to pay off dramatically. We see growing inventiveness in the marketing half of our economy to reduce more and more the amount of human toil necessary to market goods successfully and effectively.

Market research represents the natural swing of the pendulum from concentration on manufacturing problems to that on marketing. Marketing information falls under three heads : *viz.* (1) Fundamental information ; (2) Statistical information ; and (3) Particular information.

1. *Fundamental Information* : This contains information concerning railway rates, fiscal policy, transport system, standard of living, habits and tastes of the people, their caprices in fashion, legislation and other legal requirements for making manufactured goods marketable. For example, if a product is treated as branded, it has to be decided whether prior registration is required of the name or mark. If so, what are the steps to be taken for obtaining it, and what degree of protection will the registration afford to the products ?

2. *Statistical Information* : This relates to the composition of population, its social division, characteristics of the people, statistics of public health, the number of registered doctors, lawyers, teachers, motor-car owners, savings bank depositors, and imports and exports. Government publications constitute the chief source of statistical information, though trade associations and chambers of commerce also provide useful statistical information.

3. *Particular Information* : Under this head are considered questions affecting the general working of a territory, such as the exact requirements of its market, the volume of demand

for similar goods, the competition a newcomer may have to meet from established concerns, the prices obtained from local dealers, the styles of packing, the channels of distribution, and other allied questions.

Tabulation of Marketing Information

The matters mentioned under the three heads given above, or such of them as are relevant to the solving of the marketing problem of certain manufactured goods, may then be tabulated as (1) information, (2) interpretation, and (3) recommendations.

After the information has been collected, classified, codified and edited, systematic interpretation of the material is the next logical step. It should be noted that computation is very important in re-arranging the information which consists of a further refining process, clarifying the characteristics of the universe by describing the data in the form of averages, measures of dispersion, correlation and other suitable statistical measures. Then interpretation is carried out more scientifically. Actually, interpretation begins with the process of classification and the design of primary tables, since its object is to draw final conclusions which can only be accurate if the summarization of information is properly done. Mr. Irvine's remarks on this aspect of the problem are rather thought-provoking. 'One important point, which should be constantly borne in mind in interpreting marketing data,' says Irvine, 'is that interpretation is not a process of building logical theories upon given assumptions; it is an attempt to form a true picture of the conditions, structure and methods of the market for the product under investigation. It follows that a thorough practical test of any proposed interpretation should be undertaken in the market in question to prevent costly mistakes in the determination and execution of marketing policy.'⁵

Interpretation has basically two elements, *viz.* findings and re-assembling. Findings are vitally important, because they bear a positive relation to the marketing problem. Re-assembling is the technique of putting technical matters into non-technical words and ideas for the benefit of the layman.

⁵ A. G. Irvine, *Marketing Research and Management*, London, 1954, p. 72.

Thus we see that interpretation has an extremely important bearing upon the marketing problem. The market analyst who works on interpretation knows how many difficulties he has to encounter in order to arrive at precise conclusions as also that effective recommendations depend upon the clear interpretation of the marketing information. If interpretation is methodically done, recommendations are bound to be precise and effective and the market analyst will be able to make suitable recommendations, provided he has been able to complete the first stage of the marketing information scientifically. Any failure to make suitable recommendations exposes the market analyst to the charge of being an arid theorist who prefers his ivory tower to the hazards of the market-place.⁶ In order that he may escape this calumny, he should bear in mind the following four points :

- (1) The existing marketing organization of the firm should be considered in the light of his findings.
- (2) He should clearly indicate the sequence of action which he desires the firm to adopt for promoting its marketing interests.
- (3) He should gauge the ideas of the executives of the firm who put these recommendations into actual practice.
- (4) He should show the results in terms of likely profits which will accrue to the firm as a result of his recommendations, if put into action in a desired way.

It may be pointed out here that the market analyst should pay particular attention to the wordings of his recommendations. They must on no account be ambiguous. He should summarize the whole theme of his recommendations into a very short memorandum besides presenting major findings, conclusions, and recommendations with the help of large display graphs, diagrams and other suitable illustrations in order to secure the necessary effects. Such a step will inspire greater confidence amongst executives who will be prompted to put the recommendations into effect forthwith. A follow-up will be necessary after the whole marketing enquiry has been put to action, because it will determine the degrees of success achieved

⁶ A. G. Irvine, *op. cit.*, p. 73.

and indicate any shortfalls in the expectations which can be remedied according to the exigencies of the actual requirements.

Sequential Analysis : A New Methodology in Gathering Marketing Information

The type of classification of marketing information and the method of its tabulation, described in the foregoing discussion, is the one most commonly employed. As a firm or company grows in size and complexity, this method may be replaced with advantage by another method, *viz.* sequential analysis.

The newly developed sequential analysis is being accepted as the best method because of its economy both in regard to inspection and time. In fact, by the sequential method of sampling, the sample size is reduced by as much as 60 per cent on an average in comparison with the conventional random sample and yet it yields the same degree of accuracy. Again, in sequential analysis we go on comparing our compiled data at each observation and stop whenever a decision is reached on the basis of cumulative information. Thus the sample is not fixed here, but this requires a fairly high standard of mathematical ability.

To apply sequential analysis to a problem, we must know the limits of the tolerance interval around the value of the characteristic we want to examine, and the probability level for a correct decision. Given these quantities we can set up a sequence of acceptance and rejection numbers, average-sample-number curve and operating-characteristic curve. When we fix the probability, the operating-characteristic is also fixed and the expected size of the sample can be found.

We may here consider, for purposes of illustration, the problem of cotton manufactures. This is mainly a problem of internal market. Suppose a manufacturer wants to expand his textile machinery and equipment for fine cloth. Initially, he will perhaps think that unless 70 per cent of people like it, his expansion cost will not be repaid in the long run. Also, if the preference is below 30 per cent, it is not worth the trouble of expansion. And this the manufacturer wants to know accurately, say with .95 per cent probability. This is a problem of finding the 'significance of an attribute'. We

have to test the value of the probability p of the hypothesis that people like fine cloth.

We are given $p_0 = .30$
 $p_1 = .70$ } tolerance limits

$\alpha = .05$ { probability of accepting the hypo-
 thesis when it is false
 $\beta = .05$ { probability of rejecting the hypo-
 thesis when it is true

when $p = .30$,

$$\begin{aligned} \text{Expected size of sample} &= \frac{Lp \log \{\beta/(1-\alpha)\} + (1-Lp) \log \{(1-\beta)/\alpha\}}{p \log (p_1/p_0) + (1-p) \log \{(1-p_1)/(1-p_0)\}} \\ &= \frac{.95 \log (.05/.95) + .05 \log (.95/.05)}{.30 \log (.70/.30) + .70 \log (.30/.70)} \\ &= 8 \end{aligned}$$

when $p = .70$, $= 8$

Expected size of sample = 8

Thus sequential analysis is generally preferred in a situation like this when we have a small sample size.

The acceptance and rejection numbers can be set up as follows :

$$\begin{aligned} \text{Acceptance number } A_n &= \frac{\log \{\beta/(1-\alpha)\}}{\log \left[\frac{p_1(1-p_0)}{p_0(1-p_1)} \right]} + n \frac{\log \{(1-p_0)/(1-p_1)\}}{\log \left[\frac{p_1(1-p_0)}{p_0(1-p_1)} \right]} \\ &= \frac{\log (.05/.95)}{\log \left(\frac{.70 \times .70}{.30 \times .30} \right)} + n \frac{\log (.70/.30)}{\log \left(\frac{.70 \times .70}{.30 \times .30} \right)} \\ &= -1.74 + .5n \end{aligned}$$

$$\text{Rejection number } R_n = +1.74 + .5n$$

A_n indicates for each sample size n , the maximum number of consumer units preferring fine cloth with the hypothesis that not more than 30 per cent. of them prefer it. R_n indicates the minimum number of consumer units preferring the fine cloth showing that at least 70 per cent. of them like it.

For different values of n we get a set of A_n and R_n , and we compare the cumulative data regarding the preference for the fine cloth with these numbers.

As soon as the cumulative number falls below A_n or exceeds R_n , our sampling operation is stopped and an appropriate decision is made.

Utility of Research Work to Manufacturers

A constant controlled research will be of the greatest value to manufacturers who must keep in touch with their competitors' activities and with the probable trend of the market. Research will reveal where their goods stand in the industry as a whole, what the trends of the industry are, and how they should improve the existing goods and launch upon new lines. Then, too, manufacturers should not rely on their salesmen's reports alone, but should supplement these with reports retested from their internal sales organization. Then such reports will be found to provide the management with valuable data. They will furnish the management with a kind of 'magnetic north', thus enabling it to set the compass as the ship of business steers the way over the sea of day-to-day problems of marketing.

Market Research and Advertising

The modern age is an age of mass production with a centralized system of manufacture necessitating a co-ordinated policy of market research and advertising. A great deal of market research work is associated with advertising; and advertising agencies are often engaged in subtler market research. The organizational patterns of market research, both in the United States of America and in Great Britain, were first established by the advertising agencies. In Sweden, too, advertising agencies came forward and undertook marketing research work. But events followed an altogether different course in Germany, where independent market research organizations came into being first.⁷ German advertising agencies subsequently engaged themselves in market research activities. In India, advertising agencies are so few that they can be counted on the tips of one's fingers. They are doing extremely limited work in the sphere of advertising. They hardly undertake market research work. 'Combing the Indian market' is, therefore, extremely difficult. Since the effort of breaking new ground is always much greater than that of cultivating the well-tilled patch, the Indian market has remained largely

⁷ See *Marketing by Manufacturers*, OEEC Report, Published by the European Productivity Agency of the Organization for European Economic Co-operation, Paris, 1957, p. 48.

unexploited. The area of market potentials is naturally very large in this country. It is time that we addressed ourselves to this task and broke new ground with the help of market research and advertising on a well co-ordinated basis. Market research and advertising, applied together, should not only help extend market areas, but also help build up continuous and extensive sales. Indian manufacturers should not be unnecessarily discouraged by the cost of market research and advertising. Experience in other industrially advanced nations has proved that market research and advertising more than pay their way.

Advertising Media

Advertising is a cogent force. It is the very breath of marketing, which propels it on to further progress. It is, in plain words, printed salesmanship, and is concerned with the action of mind upon mind. It sets new fashions and gives rise to new prejudices, new customs, new thoughts. Few people today have time to read an advertisement which is superfluously long-worded. Simple catchwords and artistic designs arouse much interest and create lasting impressions. We find that the technique of advertising has made enormous progress in America, and in certain parts of Europe. But it is a matter for regret that so little advertising in India is done in a systematic and thorough-going manner. If we turn over the pages of a newspaper, magazine, or journal, we find that our attention is spontaneously arrested by one advertisement among many. The reason is that it is striking, short, forceful and original, so that our response is spontaneous and instantaneous.

It should be clearly understood that if the best results in the field of marketing are to be obtained, advertising must be both progressive and promotional. It is wrong to assume that advertising conflicts with or supplants the work of the individual. Neither does it make the salesman merely an order-taker. On the contrary, a salesman capitalizes on the demand created through advertising. An advertisement, in a word, acts as a general letter of introduction. It may be said that all this is obvious, but the retort is that it is the obvious which is often overlooked.

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Since advertising is the soul of modern marketing, no tangible results can be obtained in business without proper and successful advertising. The selection of appropriate media for advertisements is not always an easy matter. At times the problem is almost baffling. Large business concerns employ every kind of advertising medium right from the press to the poster, from the tram-car and motor bus to the electrically illuminated sky sign. In fact, they utilize every kind and form of publicity which human ingenuity can devise. In view of the vital part played by advertising in the scheme of marketing, three charts dealing with its different phases have been drawn.

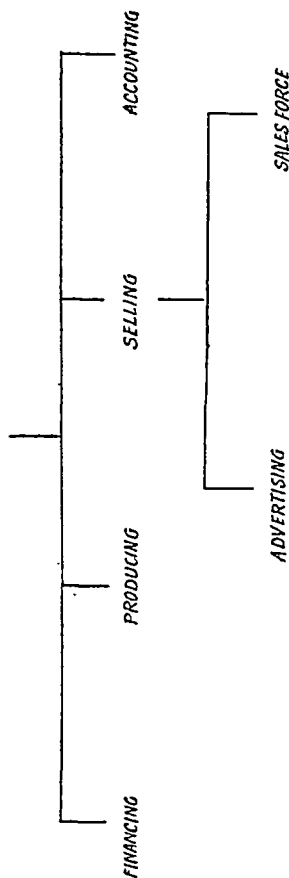
A plan of advertising in a business organization has been drawn in the first chart given on page 77. A mere glance at the first chart will clarify the basic business functions, namely, financing, producing, selling, accounting, advertising, and the sales force. Again, the functional divisions of advertising have been shown as office administration, budgeting, media analysis, copy planning and supervision, circularizing, and dealer and sales co-operation. An individual business would do well in organizing its advertising to some extent on this basis.

The second chart given on page 78 lays down the particulars of the advertising department of a business firm. It will be seen here that the advertisement manager is responsible direct to the managing director. He has under him a number of assistants and staff to run the department under his charge. The strength of the staff and its composition vary according to the size of the firm and its activities. If, however, the firm is large enough, it would be worth its while to employ sufficient staff in each section ; but if it is a small firm, it is worth considering whether one or more sections should not be merged together, and the strength of the staff maintained in accordance with the actual requirements.

The third chart, on page 79, depicts the organization of a representative advertising agency in relation to the office management, and shows how the financial management of the two separate contents, working independently, each come under their respective top management. It is the top management which has the 'client contact'. The classified list under 'client contact' indicates the numerous sections which

PLAN OF ADVERTISING IN A BUSINESS ORGANIZATION (INDIVIDUAL BUSINESS)

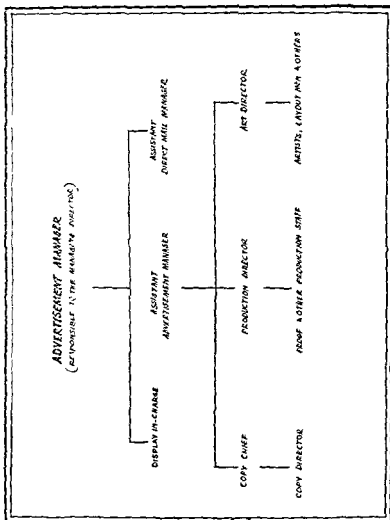
BASIC BUSINESS FUNCTIONS

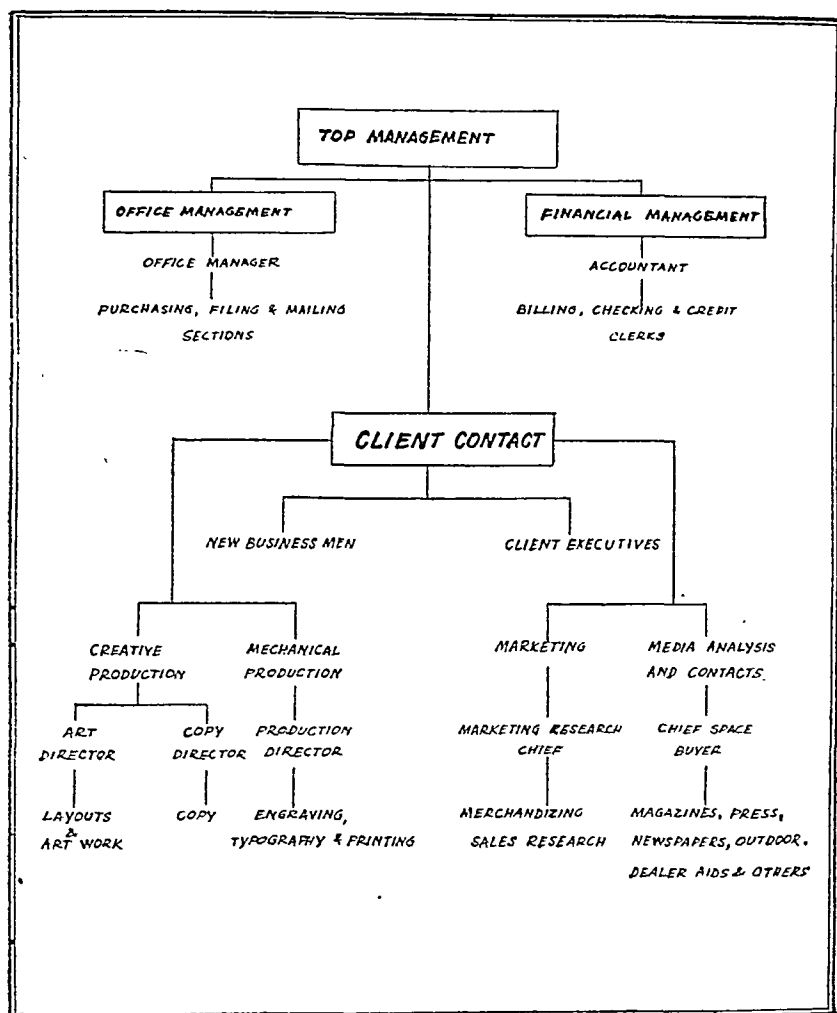


FUNCTIONAL DIVISIONS INCLUDE

1. OFFICE ADMINISTRATION AND DETAIL
2. BUDGETING
3. MEDIA ANALYSIS
4. COPY PLANNING & SUPERVISION
5. CIRCULARIZING
6. DEALER & SALES CO-OPERATION

ADVERTISEMENT DEPARTMENT IN A BUSINESS FIRM





bring ultimate success. The organization has so to plan its action and policy that it can render useful service to its clients' products. Here, too, the strength of the staff will depend upon the amount of work involved.

Advertising enlarges the market which, in turn, opens up the possibilities of an increase in the volume of output from the factory. This leads to economies in the cost of production, so it is clear that 'it pays to advertise'. Advertising also increases employment in the country and thus helps to improve the standard of living. It is therefore necessary for business organizations and firms to employ the techniques of advertising suitably.

The Spirit of Acceptance of Scientific Marketing

Dr. Copeland observes : 'The power of producers and merchants to influence demand is a neglected point in economic theory. The demand for any article is not static. Wants and purchasing power are constantly undergoing change, and producers and merchants constantly are exerting a real influence on the desires of consumers by stimulating new wants and by intensifying wants that previously have been felt.'⁸ In this respect market research will be an immensely useful instrument leading to an exact equation of 'demand and supply' and to an elimination of those factors which make for waste in the process of distribution. All the same, it is idle to extol it as a panacea for all marketing ailments, though it should be regarded by every industry as one of the basic tools of scientific marketing. As Irvine puts it, 'Market research is a continuous challenge to many accepted beliefs and practices. To meet the challenge successfully, a market research manager must possess the necessary ability and character, both to interpret the facts correctly and to present his findings without fear or favour. Personal bias for or against any particular result must be ruthlessly eliminated. There is no greater sin in market research than working from preconceived ideas to foregone conclusions.'⁹ Therefore, it is of the highest importance that in the interest of accurate interpretation and presentation of the findings in market research, a high level of honesty and integrity is exercised by the market research manager, disregarding all preconceived notions.

⁸ M. T. Copeland, *Principles of Merchandising*, New York, 1925, p. 8.

As the spirit of acceptance for scientific marketing grows in this country, we shall find businessmen studying Government statistics much more closely in order to gain information on the purchasing and living habits of the people. When this happens, we shall gradually find a helpful change in the response of the people themselves towards enquiries about their own habits and tastes. Government statistics are likely to prove extremely useful to the business community in planning their marketing programme. All these attempts are likely to culminate in a closely knit marketing intelligence which, in turn, will lead to balanced economic organization in the country by bringing about a better understanding of the marketing system.

⁹ A. G. Irvine, *op. cit.*, p. 256.

CHAPTER FIVE

METHODS OF MARKETING MANUFACTURED GOODS

Changing Patterns of Modern Marketing Activities

Ever since World War II, owing to several reasons, the pattern of modern marketing practices has undergone many changes. Industrially under-developed and backward countries themselves, dependent upon the industrially advanced nations of the world for their supply of manufactured goods, have, through fortuitous circumstances, become manufacturers of such goods. They are, consequently, in a position *to compete on very favourable terms with the more advanced countries in their home markets.* It is now vitally necessary that the industrially advanced countries should change the character of their marketing structure, by a new and timely shift of emphasis from consumer goods to capital goods. They would, thus, continue to prosper in the new order without hindering the industrial progress of the under-developed and more backward countries of the world. The present task of industrially advanced countries is to provide more capital goods to under-developed and backward countries, which are aspiring to develop their own manufacturing power. This changing pattern of modern marketing activities is symptomatic of the changes in marketing relations which have taken place recently. The tempo has been quickened during the last two decades, and the industrially advanced countries have begun to share their accumulated experience in marketing with these under-developed and backward countries. It is a happy augury in the field of international marketing.

For the sake of convenience, let us take the case of India. She is an under-developed country. She has begun manufacturing all kinds of goods, industrial and consumer, which were earlier imported by her, and a systematic effort has been made to help her in this venture by (i) imposing various restrictions upon the importation of competitive goods of foreign

origin, and (ii) restricting the export of industrial raw materials from India which are necessary for her manufacturing industries. Great Britain has been helping her substantially in this direction by giving her the benefit of her valuable experience in methods of marketing, and also by supplying her with capital goods for speeding up the tempo of her modern industrialization. Other industrial nations have also rendered her great and substantial assistance in this direction. Without doubt, India can manufacture goods, particularly consumer goods, more cheaply and economically, and these goods can compare favourably with those imported from abroad. Again, Red China's recent incursion into the South-East Asian markets is indicative of her economic strength. She is as unscrupulous as she is unpredictable both in methods and objectives. She, too, is emerging as a large-scale manufacturing power. She has begun adopting novel methods of marketing in order to develop her economy at an accelerated speed. Chinese salesmen are resorting to unfair tactics to cut into our trade in the South-East Asian markets. A totalitarian economy gives them unlimited freedom to undercut prices. They are engaged in cut-throat competition. For example, terms advantageous to the foreign purchaser are written into the contracts. In cotton piece-goods, for instance, the purchaser is assured that he will get the benefit of any price reduction which may occur because of normal market fluctuations at the time of delivery, whereas he would, on the other hand, be under no obligation to pay more in the event of a rise in prices. Nearer home, Chinese textiles have been dumped into Burma. Indian fabrics have been elbowed out of the Burmese market. In such a context, the nature and requirements of modern marketing activities should be understood in a wider setting if it is desired to hold our own in the international markets.

Merchanting System

Bearing in mind the many and diverse functions which have to be performed in the execution of marketing—transport by rail or ship, banking, insurance, preparation of invoices, compliance with customs formalities, procurement of licences, and, perhaps, most important of all, the acceptance of credit

risks—manufacturers wisely entrust marketing of their manufactured goods to merchants who, by virtue of possessing the specialized knowledge in marketing, undertake the task of moving the goods from centres of production to points of consumption. In return for all the valuable services they render to the manufacturers, they are satisfied with marginal profits on the sales transactions.

Direct Marketing

Some manufacturers, instead of relying on the merchanting system, undertake marketing operations on their own. They tend to feel that their own sales crews can perform better marketing operations. Generally, such manufacturers deal in industrial goods. The volume of business and the number of products should be large enough to justify resorting to this method of marketing. There is no doubt that direct marketing establishes the closest possible contact between the manufacturer and the consumer, and it is all the more desirable in those industrial goods needing 'high-pressure salesmanship' and 'after-sales service', but the ability to command sufficiently large capital required to establish and maintain an independent marketing organization, is a pre-requisite for this method of marketing.

There are manufacturers of consumer goods who also feel tempted to resort to this type of marketing. Perhaps dissatisfaction with the existing methods of marketing, combined with excessive distribution costs, lead them to undertake direct marketing. But they should be sure of possessing abundant financial resources so that they can easily cover the cost of offices, establishment expenses, warehousing charges, and many more costs associated with the huge paraphernalia of direct marketing. Moreover, they should have successfully and satisfactorily solved their production problems, and also be prepared to concentrate on marketing problems, because the cost of marketing stocks at all vital market centres inevitably entails the locking up of a considerable amount of money, which could otherwise be used for production purposes. Anyway, all these are difficult problems, and unless manufacturers have both the willingness and the capacity to face them, it is not advisable for them to run the risk of business failure.

Commission Houses and Home Merchants

Basically, two parties are involved in every transaction. One offers goods and services, and the other, which accepts, pays for them. *Prima facie*, the operation appears to be deceptively simple. The goods have to be despatched by rail or road or some other carrier. Care has to be taken to see that the goods reach their destination in safe and secure condition. In addition to this, there are innumerable formalities to be completed. It is therefore necessary that this work be entrusted to some specialized agencies. These agencies are either commission houses or home merchants. While commission houses purchase and transport goods against firm orders received from inland buyers, home merchants are primarily those who are concerned with the purchase and marketing of goods on their own account. Manufacturers supply the goods to these agencies and receive payment. The agencies which have invested their money in the stocks of goods have to take every care in marketing them as quickly and as successfully as possible. They know that markets are the people, and in the final reckoning it is the people, their customs, behaviour, likes and dislikes that influence markets and affect sales. This is why the agencies take very good care to study the buying habits of their customers, actual or potential. They insist that the manufacturers should pay particular attention to the packaging of goods. Few, if any, of these manufacturers are in a position to ignore these instructions, except at their peril. Taken as a whole, it is the commission houses and home merchants who oil the wheels of production for the smooth running of industry. It is true that business concerns are secretive by nature, and it is extremely difficult to secure marketing information from them, a fact which is understandable. They are usually beset by the fear that the information supplied by them might be used against their own interests. Anyway, they do useful work in marketing operations in the internal markets.

Export Marketing

Export marketing is much more difficult. Principally, it is done by one of the five following methods : *viz.* (1) Exporting abroad through export houses ; (2) exporting directly by the manufacturers ; (3) exporting through the

independent export manager ; (4) exporting through co-operative export groups ; and (5) exporting through a subsidiary export company.

Let us consider each of these five methods in fuller detail.

1. *Exporting Abroad Through Export Houses* : Independent export houses are of great importance to manufacturers. Those connected with such houses are professional middlemen, exclusively devoted to export marketing. They provide a means of bringing together the ultimate consumer in foreign countries and the manufactured products of indigenous manufacturers. They perform an economic function which has been necessary for a long time. They commend themselves specially to manufacturers who are not in a position to investigate foreign markets on their own or to attend to the numerous details connected with them. They attend to the movement of goods to the specified steamer on which freight space has been booked in advance, prepare shipping documents, insure against marine risks, attend to exchange control regulations, consular requirements and other documentation. They carry on business with manufacturers in at least three ways : first, they act as merchants or export jobbers, buying merchandise on their own account and selling it to overseas buyers ; secondly, they act as commission houses, buying merchandise on instruction from importers ; and, thirdly, they act as export agents on behalf of manufacturers, and prepare their own invoices, detailing the initial cost of the goods and including all charges connected with export marketing. They offer the safest method to those manufacturers who are not fully conversant with export marketing. Manufacturers are thus relieved of the worries of the cumbersome procedures connected with export and shipping.

2. *Exporting Directly by the Manufacturers* : It is a mistaken attitude on the part of manufacturers to think that export marketing is not different from home marketing, although there are many routine factors which are identical in both cases. In scope the marketing practices differ widely, inasmuch as prices are quoted either in sterling or in the buyer's currency in export marketing, unlike home marketing where prices are quoted in one's own currency. Again, packing is completely different in both cases. And, finally, collection, invoicing, banking operations, drafting and correspondence

differ in export marketing and home marketing. Once the decision is taken to go in for export marketing, manufacturers would be well advised to form a separate export department in charge of a competent export manager. The export manager should collect round him some of the more intelligent clerks of the sales organization and develop his department with a crew of clerical, shipping, and typing clerks, as the export business grows in volume, and gathers momentum. This is called a 'built-in-method'. Its success largely depends upon the person selected to act as export manager. Not only must he be able to develop export marketing by displaying deep insight into the customary export procedures, but he must also be able to inspire his staff to handle the business with optimum efficiency. The manufacturer has to give the export manager authority commensurate with the responsibility entrusted to him. By giving him sufficiently high rank in the organization, the export manager can capitalize on one of the recognized advantages of the 'built-in-method', namely, he can draft the best brains in the firm to bear on export business in the best interests of the organization. Everything considered, manufacturers would do well to engage in direct overseas marketing only after they are sure that they have ample financial resources, for they will be immediately confronted with the most complex marketing problems in regard to shipping movements and special documentation pertaining to clearance of shipments from seaboard, besides being faced with the problem of satisfying the central bank of their country in regard to foreign exchange, etc.

3. *Exporting Through the Independent Export Manager* : This method of export marketing is more prevalent in the United States of America than anywhere else in the world. The manufacturer is able to get his export business developed and established with much less risk. Mostly such managers handle export marketing on an open account system, and so connected documents are not routed through a bank for collection nor are sight drafts drawn. In the U.S.A., the person doing his own export business on behalf of a number of manufacturing concerns is called an independent combination export manager, because he acts for a number of factories in his capacity as export manager. This method may be found extremely suitable to those numerous factories in India,

which are enterprising, and desire to promote the export side of their business. The export manager is supposed to possess expert market knowledge. Because he handles a large variety of manufactured goods, he can spread the cost of foreign travelling and market research over a wide assortment of manufactured goods. He is in a position to effect substantial economies on shipping, banking, and other specialized charges, and is also able at the same time, to save much time and trouble to overseas buyers. The overseas buyers derive the best advantage by dealing with him.

4. *Exporting Through Co-operative Export Groups* : The technique of selling in export markets requires a thorough grasp and knowledge of salesmanship, distribution, publicity, production, market research, packing, shipment, quality and quantity of the merchandise, export regulations, shipping procedures, and financing of shipments. Consular requirements must also be borne in mind. This system of co-operative marketing is therefore best suited to those types of manufacturers who produce goods in very small lots. For example, the system is ideally suited to handicrafts and the products of small-scale and cottage industries. Sales of handicrafts and other products can be pushed up considerably in foreign markets through this system. There is need for projecting the image of some of these products in foreign countries, specially in Europe and America. This system needs adequate stimulation to boost up India's exports.

5. *Exporting Through a Subsidiary Export Company* : A subsidiary export company is a domestic company established by the parent company for handling foreign marketing which would otherwise have been handled by the company's export department. The subsidiary company buys products from the parent company for its own account and sells them abroad. It keeps separate accounts; and prepares its own profit and loss statement, and balance sheet. It buys goods from the parent company at concessional prices, and the profits earned by it from sales abroad are consolidated with the profits earned by the parent company from domestic operations. Such subsidiary companies are being increasingly formed in many countries of the world, including India. Manufacturers are able to have a greater control over export marketing by adopting this marketing procedure.

The Tendency of Manufacturers to Produce Branded Goods or Proprietary Articles

In the early stages of industrial development, few, if any, manufacturers cared to have branded goods or proprietary articles. Today, manufacturers have increased the number of trading lines in all the industrially advanced countries. They have done so with one or more of the following motives :

- (1) To economize in the purchase of materials.
- (2) To reduce manufacturing costs.
- (3) To increase profits by introducing additional lines on the basis of the goodwill built up by existing lines.
- (4) To render more effective service.
- (5) To dispose of by-products.

Marketing is rendered easier if the manufacturer repeats the name of the brand upon every container, wrapper or label. This practice increases the marketing strength of the manufactured products : the wheels of marketing are geared. The following are the chief advantages accruing from this marketing device :

- (1) It serves as a valuable form of advertising.
- (2) It constantly engages the attention of the consumer.
- (3) It safeguards against imitation goods.

It is therefore distinctly advantageous for the manufacturer to use his own name as a prefix to his products. This practice will build up the manufacturer's goodwill on the most successful lines. He can very well exploit the goodwill for other and new lines. In India, this is not always easily done because of common surnames, but in any case the manufacturer should not invent a fanciful name which is meaningless from the point of view of marketing. In novelty and other articles of distinctive character, however, invented names may be employed with advantage. But such names should be distinctive, easily pronounceable and memorable, conveying the nature, purpose and performance of the proprietary articles in question.

Packaging

The introduction of the branded goods or proprietary articles led to developments in the field of packaging. The package system as a merchandizing method has been developed only in recent years in India ; it has already made great

headway in America and Europe. 'Packaging may be defined as the protection of materials of all kinds by means of containers so designed as to prevent damage to the contents by outside influences. A package is generally designed for a great number of similar products and mass-produced by means of machinery.'¹ As the cost of packaging always increases the cost of the merchandise, the selection of packaging material must be made with due regard for its cost. But as it is a powerful marketing device, it should be carefully selected. No one who markets saleable goods can go very far without giving full consideration to packaging so as to suit the existing marketing situation. Large-scale marketing is, in fact, possible through consumer packaging. It is possible to identify the product and the brand through the medium of careful packaging. This, in turn, leads to the fostering of a 'consumer insistence' for the products of a particular manufacturer. Mr. Henry Jones in his *Planned Packaging* has observed: 'Packaging today covers a very wide field of operations, from the modest cardboard container to acetate envelopes for complete aero engines. It uses many materials, including paper, board, glass, plastics, moulded pulp, tinplate, light alloys, wood and pottery. It makes use of the most complicated machinery for moulding, extruding, wrapping, folding, printing, labelling, sealing, freezing and even selling.'² It should take note of many factors including production, distribution, consumption, marketing agencies, advertising display, and consumer acceptance which are essential to sound marketing. Manufacturers would do well in enlisting professional assistance in order to solve their packaging problem, as it is so important that it may be called the alpha and omega of an effective marketing policy.

Warehousing and Marketing

Warehousing is an equalizer of supply and demand, since manufactured goods are stored in warehouses when their supply outstrips the demand, and slowly but steadily they are withdrawn for marketing until the stock is entirely exhausted. It reduces waste in marketing by levelling supply and demand,

¹ Louis C. Baril, *Packaging Engineering*, New York, 1954, p. 1.

² Henry Jones, *Planned Packaging*, London, 1950, p. 13.

and thus adjusts the time lag between production and consumption. It is no longer necessary to market goods at ruinously low prices when the market is glutted, nor is it any longer necessary for the consumer to pay abnormally high prices for whatever goods are available. Warehousing tends to reduce the violent fluctuations in price which may be caused by the irregular supply of products.

America is a country where warehousing has made phenomenal progress. A uniform warehouse receipts law has been enforced in that country, making the infringement of rules and regulations punishable by American criminal laws. For example, a warehouseman is prohibited by law to issue a receipt for goods not actually received into his warehouse, or to describe goods fraudulently, or else to issue a fictitious receipt for goods of which he himself is owner without specially declaring this fact. Nor can he deliver goods without first obtaining a return of the related documents for their cancellation.

In India, warehousing has not hitherto developed to any considerable extent. At present, public warehouses in our country are few and far between. Their procedure leaves much room for improvement. Briefly, a dealer fills in the 'advice slip' which is similar to an ordinary commercial invoice, and he describes in the slip the goods to be stored, varieties of goods, number of cases and identifying marks. Then the description as given in the slip is compared with the actual consignment, and when the two tally, final receipt of storage is issued. This is technically known as warrant, negotiable or non-negotiable. Delivery of goods is allowed as a whole and by parts, each part delivery being made on an endorsement at the back of the warrant. Goods can be either duty paid or duty unpaid; but in the case of bonded goods, the party has to satisfy the authorities of the warehouse that the goods are duty paid. Since the warehouseman becomes a sort of intermediary between the seller and the buyer, and enables the seller to dispense with any sizeable consignment selling, he has come to occupy an important place in the marketing system. Now that warehousing facilities have been established on a statutory basis, these facilities are expected to enlarge the basis of trade and marketing credit.

The advantages of warehouses built on modern lines and operated in a methodical manner are too well known. With such a warehousing system, banks can be relieved of the irksome responsibility of taking actual delivery of the goods. They can advance money against hypothecated goods on the strength of warehouse receipts. The overall effect of this measure would be a more systematized market for the goods warehoused, since they can be marketed in the right place, at the right time, and at the right price.

Sales Organization

Marketing bridges the gap between production and consumption. And it has become highly complicated under the modern system of production. As such, the need for a sales organization to maintain contact between the producer and the consumer for building up consumer goodwill has become all the greater. A sales organization is an effective tool which equates demand and supply. 'It is the function of a sales organization not merely to discover and to satisfy existing demands, but to create new demands by offering supplies of new commodities.'³

A sales organization, devoted to the marketing of manufactured goods, may be likened to a power-station sending out energy, and suffering a tremendous loss of energy between the power-station and the points where it reaches the numerous consumers. But the very fact that there exists a power-station in the shape of a sales organization indicates that the markets have been charted to provide an up to date picture of the needs, tastes, habits, and preference of customers. An improved sales organization exercises close control over distribution, sales, and prices. It knows for certain that while setting a low price, the price should not be so very low that the customers begin to suspect the genuineness of the article, adversely affecting the volume of sales. Besides a very low price renders an all-out sales drive to push the article very difficult. Therefore, control over distribution becomes well-nigh impossible. As a matter of fact, the sales organization understands quite well that the customer, while he appreciates a bargain, is, on the whole, prepared to pay a price which, according to his estimate, represents the use-value to him of the article.

³ J. Harry Jones, *The Economics of Private Enterprise*, London, 1926, p. 69.

It will indicate the strength and the deficiencies of the products, and enable the manufacturer to concentrate on effecting further improvements so as to enhance their marketing strength. The manufacturer with the widest knowledge of markets, gained through an efficient sales organization, has a distinct advantage over his competitors.

Points for Marketing

The following simple and straightforward suggestions for manufacturers may be noted. They should :

(1) Obtain information on overall markets for all the goods of the kind produced by a manufacturer and then establish a relationship between his products and similar products.

(2) Ascertain discounts, etc. of marketing channels for similar products so as not to be at a disadvantage in the market. For example, if two products of similar nature and quality have popular and common markets, retailers would offer those to the consumers which allow them a wider margin of profits.

(3) Ensure proper packing of the products with effective colours and suitable designs, both for primary packing for wholesalers and retailers, and individual packing for consumers.

(4) Understand that in the fixation of prices for the products are included the expenses on adequate sales efforts, since the sales history of many concerns contains numerous records of business failures of those products which had been under-priced.

(5) Remember that retailers are primarily responsible for any retrogressive movement in prices and values as they usually want to curry favour with the public by supplying cheap goods.

(6) Settle the terms of agency and sign the agreement, and keep thereafter in constant touch with the marketing activities of the agents and of their competitors in the agency or territory.

(7) Make the agents responsible for providing regular reports on sales at every centre in the territory which will largely form the basis of a manufacturer's production and marketing policies.

(8) Support the agents in every possible way, constantly study the market through the information they provide, and

check their information through independent but reliable sources.

(9) Provide the market wants, meet all reasonable demands for particular styles, make-up, advertising material, etc.

(10) Imagine that the value is remembered long after the price is forgotten.

(11) Reject the agent's version of poor results in a particular line while other lines are going ahead. Ascertain the reason and devise an effective remedy for rectifying the position.

(12) Consider, in conjunction with the agents, ways and means of increasing turnover and aggregate sales.

(13) Watch carefully any marketing changes which may adversely affect the business—such happenings, for instance, as the introduction of a different product likely to capture the market.

(14) Establish an identifying resemblance between various items in the line through related colour, construction, sizes, packing, etc.

(15) Contact wholesalers, retailers, small shopkeepers, etc. through market research and other methods of discovering any changes in fashions, habits, customs, and thoughts, besides purchasing power of the class likely to purchase manufacturers' products. Its tonic effect will be rationalization in marketing methods which will, in turn, increase marketing efficiency and reduce marketing costs.

International Fairs and Exhibitions in the Scheme of Marketing

Trade fairs and exhibitions are an integral part of international marketing. They provide the best medium for bringing to light goods manufactured by different countries. They offer good opportunities for popularizing products of different countries of the world. They indicate the changing concept of marketing from the local to the international sphere.

Many countries of the world organize international fairs and exhibitions as a planned market project in the scheme of marketing. International fairs like the Milan Trade Fair in Italy, the Brussels International Fair in Belgium, and the like are regularly held wherein many countries participate and exhibit their products. India has also begun thinking along these lines. She organized her first International Fair in 1955,

thanks to the efforts of the Federation of Indian Chambers of Commerce and Industry of the country. Again, she organized another exhibition in 1958 known as 'India 1958'. 'India 1958' attempted to mirror the march of industrial progress. The first gate called the Gateway of Commerce was quite impressive; it had inscribed on it 'The World Needs India's Products'. This was followed by the World Agricultural Fair, organized by the Government of India, which was held from December 1959 to February 1960. The Indian Industries Fair, another spectacular exhibition held under the auspices of the Federation of Indian Chambers of Commerce and Industry, lasted from December 1961 to January 1962. It was a gigantic affair which indicated the onward march of Indian enterprise—public and private—in the planned economy symbolizing the aspirations of Free India. Such fairs and exhibitions should become a regular feature in our country, so that the gates of marketing may be opened to Indian manufactured goods. So great is the interest now shown by the Government of India in fairs that it has formed a separate Directorate of Exhibition attached to the Ministry of International Trade. The Directorate explores marketing possibilities and popularizes Indian goods in foreign countries. It also organizes, administers, and maintains a series of Indian showrooms and trade centres in our foreign markets, in collaboration with the Export Promotion Councils, Chambers of Commerce, and the Manufacturers' Association. Nor is this all. An Export Inspection Council has been set up to advise the Government of India in regard to adoption of measures concerning enforcement of quality control inspection of goods for export. All these represent an excellent beginning, and are omens of the greater India of the future.

The Development of Internal Marketing Finance

When the country is passing through a dynamic phase of economic growth, there is a great need for the development of internal marketing finance, so that Indian manufactured goods may be marketed more effectively. The existing practice amongst industrial concerns and wholesalers is to market goods in many cases on credit and consignment basis, adjusting accounts periodically. In the process, huge book debts are

created and considerable working funds are locked up, which retard the growth of internal marketing.

According to orthodox principles of banking, book debts are not usually accepted as security by the banks. The immediate effect of this bottleneck is reflected in the dislocation in the marketing of the products, and ultimately in the retarding of production. If, however, there existed financial institutions specializing in the discount of *hundis*, it would be possible for buyers of goods to execute them in favour of sellers, at the time of taking delivery of manufactured goods. The sellers could then obtain cash by discounting such *hundis* in the bill market. This arrangement could solve the problem of buyers and sellers alike, and the marketing development of the country could register further progress. Now that we have a bill market in the country, one hopes that this missing link in India's marketing structure will be supplied before long. Never has the time been more opportune than now for putting the machinery of marketing finance into smooth working order. After all, we are shaping our own economic destiny as a free people determined to go ahead on the road of marketing progress, so we must apply our genius to the field of marketing so as to carry it to its logical conclusion, and unfold the marketing instincts of the Indian manufacturing and mercantile classes. Ways and means should therefore be found for instituting this system as quickly as possible. We shall have to take bold steps to grapple with the marketing problem of Indian manufactured goods if we really want to gain and keep our place as a leading industrial nation.

The Machinery of Export Finance

Closely allied with the mechanism of internal marketing finance is the more complex export finance system which needs to be tackled with imagination and understanding, particularly because export promotion has been accorded a high priority in Indian planning. It is an indispensable condition of viability that adequate foreign exchange should be earned through exports to meet the developmental needs of Indian economy. It is a matter of satisfaction that much new ground has been broken in the very recent past in the difficult terrain of export finance to augment foreign exchange earnings. The Reserve Bank of India has streamlined its export bills credit scheme.

Again, the Refinance Corporation has evolved a scheme for medium-term credit to exporters. These measures, with the larger bank credit facilities available on exports insured with the Export Risks Insurance Corporation and the liberal facilities of the State Bank of India in this operation, will add considerably to the Indian exporter's competitive capacity.

The basic aim of all export credit schemes should be to enable the Indian exporter to compete, at least on equal terms, with his counterparts in other countries in the export markets. The Indian exporter, especially if he is engaged in exploring markets for new lines of manufactured goods, finds it extremely difficult to achieve a break-through in the export markets. A factor which has added to his practical difficulties is that his rivals have the strong backing of ample credit facilities on easier terms. This has placed him in a special predicament. Shri Manubhai Shah confessed in Parliament early in 1963 that India lost to China the African and Asian markets in several manufactured goods because favourable credit terms could not be made available to Indian exporters. It should be possible to win back some of these markets now that the machinery of export finance has been put on an enduring basis.

Broadly speaking, the existing machinery covers short-term (up to six months) and medium-term (from six months to five years) export credits, the former under the Reserve Bank's export bills credit scheme and the latter under the scheme evolved by the Refinance Corporation. As the Reserve Bank's scheme came into force on 1st March, 1963, it is too early to assess its impact on India's export trade. Nevertheless, the fact that more and more scheduled banks have begun to use the facilities under the scheme by borrowing from the Reserve Bank of India against the security of export bills, goes to prove that the scheme has passed the test of practicability in the domain of export finance. These scheduled banks cannot overlook the fact that the export sector is bound to prove a growing source of business, enjoying, as it does, the strong support of the Government.

The scheme offers the scheduled banks two attractive features. First, unlike in the case of usance bills, the export bills need carry only one signature and these banks can borrow

from the Reserve Bank of India on furnishing a guarantee that they will, at all times, hold export bills corresponding in value to their borrowings from the latter. Secondly, besides the fact that the borrowings do not bear the stamp duty which would otherwise amount to 0·2 per cent, the Reserve Bank of India will, under this scheme, lend to the banks at the bank rate, the only condition being that they in turn should lend to the exporters at not more than $1\frac{1}{2}$ per cent above the bank rate. At some future stage the question may well arise whether, for export promotion, the Reserve Bank of India should not lend to the scheduled banks at a rate lower than the bank rate. After all, it offers this facility in the case of agriculture. It appears that present conditions in the world trade demand that Indian exporters should be offered much greater facilities so that India could achieve aggregate exports of at least Rs. 3,800 crores during the Third Plan period and look up for larger targets under subsequent Plans. The Reserve Bank of India will have to consider lowering its rate for export finance at some future date.

The Refinance Corporation has supplemented the efforts of the Reserve Bank of India in this direction. The medium-term export credit scheme operated by the Refinance Corporation envisages advances carrying 5 per cent interest for a period of between six months and five years, the minimum amount for a single loan being Rs. 1 lakh and the maximum Rs. 50 lakhs. In today's competitive conditions, especially in relation to export of capital goods in the manufacture of which we are making a beginning and may record marked progress in the coming years, the Indian exporter needs special assistance to compete on a footing at least equal to what is enjoyed by his rivals. It is hoped that the Refinance Corporation will prove itself as an essential adjunct of the export promotion machinery in so far as the country's export trade in capital goods and semi-durable consumer goods is concerned.

Combining some of the features of the schemes of the Reserve Bank and the Refinance Corporation, the State Bank of India has initiated a three-pronged drive to finance exports. First, it has announced a half per cent concession in interest rates for export credit. Secondly, it has agreed to make medium-term credit available for exports. Thirdly, it has begun an

experimental scheme under which it arranges for a loan in foreign currency to the borrower for the import of raw materials on the understanding that he repays the loan out of the proceeds from the export of the finished product.

The Export Risks Insurance Corporation is another institution which is also rendering service to the cause of export finance. In 1962, Indian exporters availed themselves of bank finance amounting to Rs. 5.1 crores on the basis of the Corporation's policies. The corresponding figure for 1961 was Rs. 3.7 crores. There is a much larger scope under this scheme and Indian exporters would do well if they make full use of the facilities offered by the Export Risks Insurance Corporation. The Corporation provides a 'packing' credit insurance policy under which the banks are reimbursed to the extent of 50 per cent of the losses suffered in their loans to exporters. It is worth while examining whether the extent of the cover cannot be increased further so that banks may be induced to lend more to the Indian exporters to give a greater fillip to the export promotion movement. Further, the time has come when an Export Credit and Guarantee Corporation needs to be set up to strengthen and supplement the activities of the existing export finance institutions. To avoid overlapping and duplication of efforts, it is suggested that the Export Risks Insurance Corporation should be merged with the Export Credit and Guarantee Corporation. This will mean entrusting the functions of providing export credit guarantees and export risk insurance to a single institution. Such a step will go a long way in filling the gap in the system of export credit to further the interests of the export promotion programme.

The Summing Up

The Ministry of International Trade of the Government of India is being expanded so as to evolve suitable export promotion policies. While preparing the framework for enlarged trade, the Ministry feels that the Indian manufacturing and mercantile classes will have to put in a great deal of effort to find new outlets for their products by carrying out market surveys and organizing selling and servicing institutions abroad. It appears that a large-scale rise in the level of our exports will depend

primarily on our ability to offer goods at competitive prices and to establish and maintain high standards of quality and finish. Equally important is strict adherence to stipulated dates of delivery. Above all, methods of marketing have to be streamlined. It is the manufacturing and mercantile classes which will be called upon to play a vital role in bettering the nation's marketing progress in the long run. They have to build up a reputation for Indian manufactured goods. The words 'Made in India' should stand for the hall-mark of quality, so that the consumer, in whatever country he is, could be confident, that in purchasing an Indian product, he is getting a quality product at a competitive price.

The country's marketing progress will chiefly depend on the qualities of mind and the character of her people. These qualities, one hopes, will cause them to reject the precepts of economic unreason, and will lead them to choose, and to pursue vigorously, well-directed marketing policies. There is a ferment in our minds, and with the concerted efforts of the Government, and those of the manufacturing and mercantile classes, we must press forward to evolve the best means of marketing for furthering the progress of the nation.⁴ 11/7/54

⁴ Prof Ludwig Erhard sums up his impressions about his Indian tour in these words 'The people are in a state of unrest India's political independence gave rise to a strong national awareness which is seeking an outlet and searching for solutions. Memories of the colonial period have left no resentment against Britain; on the contrary, the British are very popular, and I feel certain that from this point of view the Commonwealth is organically sound and firmly established. But the various peoples want to shake off poverty and share a higher standard of living; they want the gap between their way of life and that of the free world to become not wider but narrower.' (Quoted from Prof. Ludwig Erhard's *The Economics of Success*, London, 1963, p. 237). Actually, the urge for a better and more varied life is so strong with us that we want to shape our economic destiny as a free people by planning our economic growth at an accelerated speed. We can only go forward by recognizing the signs of the times. An old German proverb *Stills tand ist Ruckgang* i.e. he who moves not forward goes backward is very true, for there are no resting places in the onward march of a nation. This being so, we must redouble our efforts in our planned economy so as to increase the buoyancy of our national economy, and become a developed country in double-quick time. Here the marketing system has to be evolved with meticulous care and pedagogic skill so that a detailed cross-section of economic activities comes into full play.

PART II

MARKETING STRUCTURE

CHAPTER SIX

MARKETING OF INDIAN COTTON PIECEGOODS

The Need for Understanding Marketing in Relation to Industry

Marketing, being the study of one-half of the Indian economy, represents a basic element in our economic life. It has an exceedingly complex structure, as goods flow to consumers through the distribution circuit from different points. Marketing is dependent upon the nature of economic organization and the varieties of products to be marketed in any particular industry. It is a task which is important not only to the success of an individual business, but also to the community at large to ensure its civilized existence. Marketing has come to play a vital role in the control of the processes of physical production, and its understanding is essential for a successful development of production, which ultimately leads to the welfare of the economy as a whole. Unfortunately, the relative importance of marketing in the scheme of production has neither been sufficiently realized nor properly appreciated in India ; and if the present state of affairs is allowed to continue in today's 'hard sell' period, the result is likely to be disastrous.

Thanks to the Planning Commission, fundamental changes have already been initiated in the structure of Indian manufacturing industries in a planned economy. The need for understanding marketing in relation to industry, therefore, has become all the greater. This is as true of the country's cotton textile industry as of other Indian manufacturing industries. India has now emerged as a major manufacturing country in the world, and her cotton textile industry has played an overwhelmingly important part in raising her industrial stature to the present eminent position. The following table illustrates the fact that Indian textile production ranks high amongst that of the leading producing countries of the world :¹

¹ See *Handbook of the Indian Cotton Textile Industry*, 1960, issued by the Cotton Textiles Export Promotion Council, p. 36.

Production of cotton piecegoods in selected countries of the world
M. yds/Sq. yds.

Country	Unit	1955	1956	1957	1958	1959
U S A.	m. yds	10,174.60	10,317.08	9,533.76	8,973.08	9,559.40
China	m yds	3,816.00	6,724.00	6,148.00	7,000.00	8,968.00
India	m yds	6,846.48	7,090.60	7,265.40	7,054.96	7,183.43
U S S R.	m yds	6,456.00	5,964.00	6,120.00	6,332.00	6,692.00
Japan	m sq yds	3,011.84	3,475.64	3,838.08	3,164.64	3,294.08
France*	m sq yds	1,821.88	1,858.92	1,135.92	2,083.94	2,083.88
West Germany	m sq yds	1,419.20	1,547.76	1,632.20	1,539.76	1,550.28
United Kingdom	m yds	1,781.00	1,611.56	1,627.60	1,428.60	1,336.80

* Including cotton/linen and cotton spun rayon mixtures but in which cotton predominates

As a major manufacturing nation of cotton piecegoods, India has to export a part of her indigenous production in the world markets. She is, thus, not only one of the leading manufacturers of cotton piecegoods in the world, but she is also one of the principal exporting countries. The following table indicates the principal markets of Indian cotton piecegoods :²

Principal countries importing Indian cotton piecegoods and the volume of their imports (in million yards)

Country	1957	1958	1959	1960
United Kingdom	150	101	167	198
Sudan	93	55	150	63
Australia	50	47	49	49
Indonesia	51	13	10	9
Ethiopia	42	23	23	18
Nigeria	51	45	16	20
Aden	39	35	36	28
Singapore and Malaya	25	19	26	32
Burma	40	5	38	22
Ceylon	16	16	12	17
Others	270	229	287	231
Total	844	587	814	695

The Stages of the Development of the Indian Cotton Textile Industry

The position of India as a great manufacturer of cotton piecegoods and as an important exporter of these goods in the world markets has been secured from humble beginnings.

² Source : M. P. Gandhi, *The Indian Cotton Textile Industry* (1961 Annual), page XX.

This industry was established in Bombay in 1854 by a Parsi gentleman named Cawasji Nanabhai Davar. After 1876, the progress of the industry was both uninterrupted and rapid as can be gleaned from the following table :³

YEAR	NUMBER OF MILLS	NUMBER OF SPINDLES	NUMBER OF LOOMS
1876	47	1,100,112	9,137
1880	56	1,461,590	13,509
1885	87	2,146,646	16,537
1890	137	3,274,196	23,412
1895	148	3,809,929	35,338
1900	193	4,945,783	40,124
1905	197	5,163,486	50,139
1910	263	6,195,671	82,725
1915	272	6,848,744	108,009
1920	253	6,763,076	119,012
1925	337	8,510,633	154,292
1930	348	9,124,768	179,250
1935	365	9,685,175	198,867
1940	388	10,005,785	200,076
1945	417	10,238,131	202,388
1950	425	10,849,026	199,775
1955	461	12,068,544	207,347
1956	465	12,375,805	206,580
1957	499	12,906,622	206,126
1958	511	13,271,890	205,598
1959	516	13,534,540	205,973
1960	519	13,864,000	206,000
1961	523	13,984,981	206,525

The above table, when analysed, indicates that between 1876 and 1900, the number of mills increased from 47 to 193, and the spindles and the looms increased from 1,100,112 and 9,139 to 4,945,783 and 40,124 respectively. Between 1900 and 1915, the number of spindles installed increased from 4,945,783 to 6,848,744, i.e. by about 38 per cent. During the same period, the number of looms increased more rapidly from 40,124 to 108,009, i.e. by about 170 per cent. The explanation for such a development must be sought in the fact that the growth of this industry took place in the early years when there was a great demand for the supply of yarn to the overseas markets of China and the Far East. With the development of the industry in Japan and China towards the closing years of the nineteenth century, the Indian cotton textile industry was forced to combine spinning with weaving for securing the home market for its own cloth, and the necessary adjustments

³ Source : Millowners' Association, Bombay.

were made during 1900-15. For this reason, the increase in the number of looms was much higher than in the number of spindles during this period. Again, during the next twenty years, i.e. between 1915 and 1935, the number of spindles increased from 6,848,744 to 9,685,175, which means an increase of about 41 per cent, while the number of looms very nearly doubled, reaching the figure of 198,867 from 108,009. At this stage, the industry reached a stage of equilibrium when it was able to utilize most of its own yarn in the manufacture of cloth itself. It was successful in capturing the home market for the coarser and medium varieties of cloth. During World War II (1939-45), the manufacturing capacity could not be improved for obvious reasons, and the number of spindles and looms installed stood at 10,238,131 and 202,388 in 1945. But with the cessation of hostilities, a systematic scheme for expansion was taken in hand and the number of spindles and looms installed in 1961 stood at 13,984,981 and 206,525 respectively. This means that whereas there was a 37 per cent increase in spindles, there was only a 2 per cent increase in looms. We should also take into account the number of mills situated in the areas now comprising Pakistan, and if figures are adjusted for this, the increase would no doubt be more pronounced. The creation of Pakistan has deprived the industry of a dependable market for several million yards of cloth per annum. But then this loss to the industry was compensated for by the capture of many foreign markets. The table thus shows that the industry made continual progress from 1876, so much so that today it is not only the nation's biggest organized industry, but also one of the largest in the world. Our 523 mills not only represent capital investment of over 131 crores of rupees with installed capacity of 13,984,981 spindles and 206,525 looms, but they also provide employment for about 800,000 workers in addition to several thousand graduates in engineering, technology, arts, science, commerce and law. These mills consume about 51 lakhs of bales of raw cotton, while the aggregate value of their manufactured products very nearly reaches 400 crores of rupees. Above all, they are the mainstay of many big and small enterprises. Thus the cotton textile mill industry is our premier

industry, controlled, manned and financed by our own nationals, producing manufactured goods to the value of about one-third of all organized industry in the country.

The Regional Distribution of the Industry

The study of the regional distribution of the industry will be helpful. The distribution of the productive machinery of the industry in different parts of the country is given in the following table :⁴

Cotton Spinning and Weaving Mills Working as on 31st August, 1961

Where situated	Number of mills	Number of spindles installed	Number of looms installed	Remarks
Bombay City and Island (a)	63	3,225,441	62,880	(a) 2 mills not working
Other mills in Maharashtra (b)	37	940,312	18,902	(b) 2 mills not working
Ahmedabad (c)	72	2,131,486	42,319	(c) 2 mills not working
Other mills in Gujerat (d)	30	676,108	11,357	(d) 1 mill not working
Mills in Saurashtra (e)	10	183,340	3,473	(e) 2 mills not working
Rajasthan (f)	11	178,324	3,253	(f) 2 mills not working
Punjab	6	132,794	1,944	
Delhi	7	191,916	3,946	
Uttar Pradesh (g)	29	874,052	13,884	(g) 7 mills not working
Andhra Pradesh	15	220,884	1,381	
Madhya Pradesh (h)	20	519,432	12,699	(h) 1 mill not working
Bihar	2	29,572	757	
Orissa	4	52,848	1,264	
West Bengal (i)	40	623,266	10,941	(i) 3 mills not working
Madras	139	3,222,700	8,049	
Kerala (j)	14	182,548	1,890	(j) 1 mill not working
Mysore (k)	21	515,474	5,470	(k) 3 mills not working
Pondicherry	3	84,484	2,116	
Grand Total	523	13,984,981	206,525	
INDIA				

Source : Millowners' Association, Bombay.

The above table clearly indicates that the States of Maharashtra and Gujerat occupy the predominant position.

⁴ See *The Indian Cotton Mill Industry : Its Place in the Nation's Economy*, issued by the Millowners' Association, Bombay, p. 2.

Again, Bombay city and island in Maharashtra and Ahmedabad in Gujarat are the two most important manufacturing centres of cotton textile products. Madras occupies a privileged position among other States of India, and is followed by Uttar Pradesh and West Bengal. Madhya Pradesh and Mysore are the two other States where the industry has made its impact. In the other States of the country, it is not of considerable importance. Furthermore, the manufacturing units in Bombay city and island are much bigger than those in Ahmedabad, as is clear from the fact that whereas in Bombay there are only 63 mills, no fewer than 72 mills are situated in Ahmedabad, though the total number of spindles and looms in Ahmedabad is much less than in Bombay. Again, Madras with 139 mills has only 8,049 looms, though the number of spindles is 3,222,700. Other centres are not so important. It is Bombay and Ahmedabad which predominate, accounting for a sizeable sector of the industry. Important factors such as nearness to export markets, capital, enterprise, raw materials, credit, labour, climatic conditions and transport facilities have been chiefly responsible for the industry being centred round Bombay and Ahmedabad.

Prices of Indian Cotton Piecegoods

Immediately preceding the War, prices of Indian cotton piecegoods were very low, owing to competition from Japan which was well entrenched in the Indian market. The best varieties of pre-war cotton piecegoods were available at 38 to 75 naye paise per yard. Modern economic theory puts forward the view that the rate of profit of a business is determined not merely by the competition of businessmen in response to the stimuli of costs and prices, but equally by the fixing of price on the basis of the accepted market price or, alternatively, on the basis of the selling price of similar products of one's competitors in the market. This was precisely the position of prices of cotton textile products in the Indian market till the outbreak of the Second World War in September 1939. The War upset the whole competitive economy in the market. Competitive conditions no longer obtained, and an acute shortage of cotton textiles pushed up the market price. The technique of controlled prices was widely adopted, and the pricing of cotton textiles was

first done on an *ad hoc* basis, but the Tariff Board later devised a formula for fixing the prices of cotton textiles as of many other articles. After over a decade of control, the cotton textile industry once again stepped into the era of free markets. There is only a control over production at certain points. Relief and exhilaration are natural reactions to freedom from constraint, but this joy is tempered by the knowledge that the industry faces the future with many unsolved marketing problems. The need for employing modern techniques of marketing in this industry was never greater than today when we are planning to bring about a substantial improvement in the nation's standard of living, for there can be no better index of the improvement in this direction than through a study of the *per capita* consumption of cloth. In this context, marketing assumes a vital role in the scheme of production. But, unfortunately, it is not a problem which lends itself to easy solution. Yet the problem has to be faced boldly in the difficult years that lie ahead.

Marketing Development

Marketing development of industry largely depends on the development of the home market as the principal source of consumption, but this assumes good purchasing power on the part of the masses. Today's average *per capita* consumption of cotton piecegoods is about 15.6 yards per annum, which in terms of monetary value works out at Rs. 14.82 nP on the basis of Rs. 0.95 nP per yard as the average price. The Indian National Planning Committee of 1939 had recommended that the minimum annual requirement of cloth should be put at 30 yards per person, which is incidentally also the international standard. Anyway, an increase of even two yards *per capita* consumption would mean an additional consumption of 900 million yards on the basis of the present population which is about 450 millions. Now that the distribution mechanism is free from all war-time controls, the responsibility for finding suitable markets for the industry's manufactured products rests squarely on the shoulders of both manufacturers and distributors.

With the creation of Pakistan as a separate and independent country, the home market for Indian cotton piecegoods has shrunk. The export surpluses have naturally become bigger

than they would have been had the pre-partition population of India to be provided for out of Indian cloth production. Nearly 20 per cent of the textile industry's output used to be absorbed by areas which now constitute foreign territory. Pakistan's total consumption of cotton piecegoods is roughly 1,000 million yards. India used to market almost two-thirds of that country's requirements before Partition. Pakistan is now meeting a large part of her requirements from sources other than Indian, and she is also building up a cotton textile industry which is being heavily protected at present. India has therefore been compelled to seek many other outlets for absorbing her surplus cloth production. Fortunately, she built up many foreign markets during the war and she can now take advantage of the situation, provided she streamlines her marketing organization and employs modern tools of marketing in order to push up the sales of her cloth manufactures in these markets. She should, in the very nature of things, launch a systematic marketing drive by studying consumer needs, conducting market research, and keeping in constant touch with the marketing activities of her principal competitors so as to hold her own in these markets. Luckily, there is now a general awareness of the problem, and the Export Promotion Council has been paying sufficient attention to it. Anyway, India's importance as an exporter of cotton textiles becomes clear from the fact that nearly 12 per cent of the total production is exported by us in world markets. It may thus be said that the market development of this industry, though essentially based on the home market, should be such that foreign markets receive more and more attention, so that the industry's production is geared to the requirements of the world economy as a whole.

Planning of Home Markets

In India, the market for cotton piecegoods is mainly in cheap lines of manufactures of coarse and medium varieties, though fine and superfine qualities of cotton textiles are also finding a good market in Indian towns and cities. During recent years, however, the lower and upper middle classes have developed a taste for better cloth of good design and colour. This is because their pattern of dress, the product of a hierar-

chical society, has undergone a great change. The popularity of the European style of dress amongst this class of people is another example of the widespread acceptance of certain sartorial modes. Furthermore, the *Satyagraha* movement led to the revival of the older style, but this tendency is now on the wane these days. Amongst our womenfolk, the so-called 'Bengali' way of draping the *sari* has now become universally popular with the younger generation in cities. The Government of India and the State Governments have laid down certain rigid standards for correct dress to be worn on ceremonial and other formal occasions by Government officials and other dignitaries. Even the correct dress to be worn in offices has been prescribed for both men and women. The object of citing these illustrations is to indicate that a great majority of our people of both sexes have begun wearing dresses which are free from regional bias.

But this does not mean that we have shaken off our conservatism. Studying the statistics of the piecegoods trade over a number of years, one cannot fail to be struck by the amazing conservatism of the Indian temperament. In France, Britain and America, changes of fashion may make today's fashion the laughing stock of tomorrow, but in India the capricious breeze of fashion blows but lightly, and only rarely ruffles the surface of marketing, leaving the depths unmoved. The explanation for this phenomenon is simple. India is essentially a country of villages where the patterns of culture have not been cut, nor has the behaviour of modern civilization penetrated deep. Simple living is the motto of an Indian villager, who only wants a piece of cloth that can cover his body and protect him from the vagaries of the Indian climate. It is only those villagers who saw service during the war years who have begun to wear modern dress. So the army personnel have been instrumental in bringing to these villagers the unique experience of adopting new modes of dress. But on the whole, the demand factor in marketing in India is immutable. This immutability of demand should be a boon at least to the Indian manufacturer of cotton piecegoods as it enables him to make a correct marketing analysis; and market research conducted once may prove a good working tool for effective marketing for a considerable period of time. It

Marketing a part of their manufactured products through their own retail establishments have given them good publicity, which has resulted in an all-round development in the domain of marketing. But this tendency has begun to show signs of decline in the present buyers' market, though its need is greater now than ever before. Several mills have closed down their retail establishments as they found no margin of profit on these sales. But this is a wrong attitude. Even if the cost of distribution leaves no margin of profit, the marketing efficiency is increased, resulting in greater economies in production. This is not all. These mills can distribute enough advertising materials through their own retail shops, and their specialized and branded products can widen their reputation. These specialized products provide them with the scope for exploiting marketing development in other branches of manufactures, so that new and ever-widening marketing opportunities are opened out, thus providing the mills with the opportunity of selling their products.

Since the 'heart' of marketing lies in sales organization, the manufacturer should develop an efficient sales organization, and co-ordinate manufacturing, advertising and sales policies, and also introduce proper sales methods. Salesmanship is the most important single aspect in marketing. The manufacturer should therefore make common cause with the wholesaler for the promotion of sales by large-scale selling and buying. He should also arrange for adequate publicity of his products through this channel, and offer all possible incentives to the wholesaler. It is the wholesaler who in the past used to take the normal risk of carrying stock of cloth, but today he is naturally chary and hesitant about carrying normal stock. The result is that the industry is burdened with carrying abnormally large accumulated stocks of cloth. The manufacturer will do well if his salesmen activize the market by using different methods, and directing their entire energy towards popularizing the goods amongst as large a section of the population as possible. These salesmen should project the best that their employer has to offer.

From the point of view of quality, Ahmedabad represents what in Lancashire is referred to as the 'Egyptian Section of the Cotton Industry', whilst Bombay represents the 'American

Section of the Cotton Industry.⁵ Cloths of Ahmedabad Mills like those of the Calico, Arvind, Rohit, Advance and Ambica are in great demand in the home market in India. All these five mills manufacture cloth of fine and superfine types, use the best cotton mixings, and have installed modern machinery. In recent years, the Calico Mills have imported and installed ultra-modern American machinery, and produce the very best materials at economical prices. Following the most modern practice in America, Calico is among the few mills in India to have box-type spinning and weaving sheds with mushroom columns, and a flat roof apart from automatically controlled air-conditioning plants. Its continuous peroxide bleaching, sanforizing and polymerization machines are up to date in almost every respect. Early in 1961, it made further progress in its efforts at diversification inasmuch as an agreement was concluded with a world famous textile finisher in Switzerland under which it acquired the exclusive rights of use in India of its entire range of special processes. This measure will assuredly raise further the excellence of its finished products which have already earned a great reputation. It is therefore natural that its products should be highly standardized, and yet the prices are quite competitive. Then, again, there are several mills like the Khatau Makanji, the Finlay, and the Century in Bombay, the Empress at Nagpur, and the Buckingham & Carnatic of Messrs. Binny & Co. (Madras) Ltd. at Madras, which have also been manufacturing quality products, which are also popular in the home market. The products of the Buckingham Mills are noted for their quality and durability, though the price which is comparatively high, can be afforded only by the more well-to-do. But the mills at Delhi, Kanpur, Sholapur, Nagpur, Indore and Calcutta and in certain other centres have mostly been manufacturing coarse and medium varieties of cloth. Their products find large markets in small towns and villages.

With the rise in the national standard of living as envisaged by the Planning Commission through the implementation of a series of Five-Year Plans, the annual cloth consumption per head will inevitably increase. We may here analyse the

⁵ Dr. T. R. Sharma, *The Location of Industries*, Bombay, 1946, p. 5.

in an increasingly competitive world. They should avail themselves of the economies of large-scale production, and benefit from international division of labour by diverting a part of their production to foreign markets. Indian textile mills are, luckily, favourably placed on account of the fact that about 60 per cent of the industry is concentrated in the States of Maharashtra and Gujerat, and Bombay has excellent shipping facilities and direct access to many markets of the world. It is true that with the swing from the sellers' to the buyers' market, additional marketing efforts have become absolutely necessary for developing foreign markets for Indian cloth. One hopes that Indian manufacturers will make a bold bid to develop and stimulate these export markets by employing modern techniques of marketing. The manufacturers, the exporters, and the government should all join hands to plan and launch an export drive.

In planning export marketing it is essential to determine which of the existing home trade qualities, types, and styles are acceptable in each of the foreign markets available to us. This will provide an analysis of the foreign markets which can be tackled without encountering much difficulty. Selection of these initial markets or a group of markets, which seemingly make the best prospective volume, and seem to present the least marketing efforts, will at once afford good opportunities for Indian cotton piecegoods. The law of large-scale production requires this to be done before we proceed to introduce modifications in the existing home qualities to suit a particular foreign market. Such planned effort in the field of marketing would go a long way towards strengthening our industry, which would thus acquire a productive capacity geared to the world markets at large.

Marketing methods concerned with export marketing call for special devices and additional exertion, such as special packing of the products, the marking of shipping packages, the despatch of packing lists with invoices, the preparation of a larger number of copies of invoices, besides consular requirements and other special documentation. Generally speaking, Indian manufacturers and exporters lack promptness in the shipment of goods. Often, they do not adhere to the delivery date in accordance with the terms of the contract. Instances

are not wanting when certain mills and exporters deliberately delay deliveries in order to secure higher prices elsewhere. As time is of the very essence in export marketing, the importer may lose heavily if goods do not reach him in time. Such short-sighted marketing procedures damage the country's interest in the long run. The importer loses faith in the Indian business community.

It is a matter of common knowledge that foreign buyers often take the initiative with regard to enquiries and offers, and send these by cable. Exporters usually fail to circulate them to Indian mills in good time. It is their duty to circulate these advices of foreign buyers received by cablegram among Indian manufacturers, either personally, or through brokers, or through some other suitable medium. They should ensure that all formalities are completed in good time, and sales are effected most expeditiously, and finally the goods reach the port of destination as scheduled. Time is money. Time wasted is money lost, since marketing of products is in the meantime lost. Even if it is possible to execute the orders and finalize the sales transaction with overseas customers, there are chances of demurrage which inflate the cost of marketing. Importers naturally take into account all these contingencies in their price offers. If, however, marketing practices are toned up so that prompt shipments are made, it would be possible to obtain higher prices for the goods exported.

Shri Babubhai C. Shroff, the then President of the Africa and Overseas Exporters' Chamber, and one of the biggest Indian exporters, explained to me during the course of my study tour to Bombay in March 1959 that, for the first time in its long and chequered history, the industry was able to export its manufactured goods in the world markets at prices lower than those obtaining in the home market. This has been made possible because of the incentives granted to the industry by the government under the 'Export Promotion Scheme', announced on the 31st October, 1958, and again on the 5th November, 1958. As a general rule, export prices should be lower by a certain percentage than the home prices.

Effective marketing is the central fulcrum of the revival of the export markets of the industry's products, and unless

export prices are much lower than the internal prices in some regulated way, there is no chance of winning back the foreign markets, already lost to China and Japan during the last few years. If we want to succeed in our endeavour to attain the export target of 850 million yards set under the Third Five-Year Plan, we have to market our cotton goods in export markets at lower prices without taking overhead expenses into account. We might also be required to experiment with the fixing of export quotas of individual mills on a percentage basis. And, finally, we shall have to employ the modern tools of marketing to keep pace with the changing market requirements. Here marketing will be the king-pin of success. Tremendous marketing efforts go behind the sale of manufactured goods in the export markets. And unless our marketing practices are superior, or at any rate equal, to those of our competitors, we stand no chance of attaining the above export target which is by no means high. How far we lag behind other countries in modern marketing practices will be demonstrated from a study undertaken by the Indian Textile Delegation to South-East Asian countries.

After visiting Burma, Thailand, Indonesia, Singapore, Malaya and Ceylon towards the middle of 1955, the Delegation was convinced that the techniques of marketing employed by India left much to be desired. No fewer than eight principal defects were listed by the Delegation. They are :

1) *Adherence to Delivery Date* : There is a long-standing complaint in these markets that Indian manufacturers and exporters do not adhere to the delivery date in accordance with their contractual obligations. More specifically, the complaint is of a serious nature in the sense that certain mills and exporters deliberately adopt this policy in order to secure higher prices elsewhere.

2) *Method of Presentation of Cloth and its Packing* : The Delegation found that, as compared to Japan, England, Germany and other European countries, Indian cotton piece-goods did not present an attractive appearance in regard to marking and packing. Whereas our competitors are known for the clean markings on their goods, Indian manufacturers generally make the markings in such an illegible and smudgy way that the cloth is spoiled. Furthermore, the get-up,

folding and packing of goods of Indian origin do not present a neat appearance. Our competitors make a nice job of it. For example, most of the bleached goods and prints of our competitors are double-folded, wrapped on hard cardboard or on a wooden frame with paper support and made into a firm bundle with cellophane packing. Another serious drawback in Indian cotton piecegoods is the bale packing, where old second-hand hessian containing numerous markings is sometimes used to the detriment of the marketing development.

(3) *Lack of Machinery to Deal with Complaints* : Several importers and merchants brought to the notice of the Delegation that Indian manufacturers and exporters did not pay any heed to complaints either in regard to deficiency in quality or in regard to shortages in bales. Such complaints are practically non-existent in the case of our competitors whose business ethics is very high.

(4) *Finish of Indian Processed Goods* : As regards the finish of Indian processed goods, it was observed by the Delegation that it was far from satisfactory. Our foreign competitors usually back-fill the bleached longcloth which gives an attractive appearance and is therefore more marketable. The Indian longcloth is not usually back-filled, and many loose ends are seen all round the longcloth. The Delegation was greatly impressed with the demand, in all the foreign countries visited by it, for cheap printed material. Many European countries besides Japan have been virtually flooding these markets with materials in attractive designs printed with cheap commercial colours. These products are designed to suit local tastes, and each assortment is made available in small quantities of 10,000 yards ; unlike the Indian counterpart which imparts the dull finish of the printed material. Furthermore, Indian manufacturers are not willing to accept any order below 25,000 to 30,000 yards for roller prints and 15,000 yards for blotches.

(5) *Prices* : Prices of Indian cloth are admittedly high in fine and superfine categories as compared to those of Japanese and Hong Kong origin. Again, foreign textiles are generally more regular in weave besides being flawless. In contrast, Indian textiles are defective in certain cases, creating sales resistance.

(6) *Short-Lengths, Short-Widths, and Second Qualities*: A complaint of a serious nature was lodged with the Delegation by many importers that the actual dimensions of cloth pieces of certain Indian mills were shorter than those marked on the pieces. There was, however, another similarly serious complaint in that many mills supplied inferior quality goods known in the trade as 'seconds'.

(7) *Lack of Attractive Samples*: Most of the trade samples supplied by Indian mills are shabbily arranged, smaller in size and generally unattractive. Foreign competitors take good care in the selection, arrangement and presentation of samples.

(8) *Packing Lists*: Often, Indian manufacturers and exporters do not send packing lists along with the 'invoice', unlike the foreign manufacturers and exporters who pay proper attention to this aspect of the problem, sending packing lists along with the 'invoice', giving therein the contents of every package.

The marketing deficiencies pointed out above, indicate how urgent and necessary it is to remove these defects in order to enable India to compete successfully in foreign markets. What holds good for these South-East Asian markets, holds good equally for the other markets where Indian cotton piece-goods find their way. Most of these defects can easily be rectified if we become export-minded. Some of our manufacturers are not export-minded because they get higher prices in the home market. It is therefore the duty of the Export Promotion Council to create the necessary climate for making our people export-minded. The government should also come forward and make it compulsory for our textile manufacturers to market a part of their production in the export markets in some co-ordinated way so that our reputation abroad does not suffer. Happily, the industry itself devised a scheme of compulsory exports on a voluntary basis and brought it into force with effect from 1st July, 1962. The scheme has cast an obligation on the part of every mill to export annually 12½ per cent of turnover in cotton cloth and again 3 per cent of turnover in cotton yarn-staple fibre yarn under pain of monetary penalty. The success of the scheme would be watched with interest. But then our textile machinery which is

old, obsolete, and overworked in many cases, stands in urgent need of modernization and rehabilitation to improve operational efficiency. According to Shri Kasturbhai Lalbhai, former Chairman of the Indian Cotton Mills' Federation, 65 per cent of the machinery in the textile mills is more than thirty years old and therefore requires renovation.¹⁰ The remarks made by the Export Promotion Committee on this aspect of the problem are well worth quoting. This is what the Committee says : ' A considerable part of the equipment is old and outmoded and, consequently, in the highly competitive export market, our cotton textiles have had a tendency to lose ground. There is, therefore, no doubt that unless our industry also benefits from the use of the latest machines and techniques, our cotton cloth will have to struggle hard to maintain the markets it now has, let alone increasing exports.' ¹¹ In India, 90 per cent of the looms are still of the Lancashire type. While the Japanese textile industry has a preponderating percentage of automatic looms, standing at 67 per cent, the Indian industry has only 7 per cent of automatic looms. Notwithstanding the fact that the Kanungo Committee which submitted its report in September 1954, recommended that one-half of the existing loomage should be replaced by automatic looms, we could not make any headway in this direction. Anyway, there can be no two opinions that unless the industry is strong and vital, it cannot face world competition, and contribute much to our foreign exchange resources in order to strengthen the Indian economy.

The requirements of the Bombay mills for modernization and rehabilitation amount to about Rs. 150 crores, spread over the next 15-year period, according to the returns from mills submitted to the Bombay Cotton Mill Industry's Rehabilitation Commission. The total needs of mills from other centres would be of a slightly higher magnitude. It may be safely laid down that the total requirements stand at Rs. 360 crores. It will be easily possible for the industry to quicken the pace of modernization and rehabilitation if an incentive scheme for

¹⁰ Statement made by Shri Kasturbhai Lalbhai as President of the Indian Cotton Mills' Federation, Bombay before the Textile Enquiry Committee, 1958.

¹¹ See *Report of the Export Promotion Committee*, 1957, p. 100.

more exports to world markets is devised. (The best method that can be recommended in this connexion is that mills should be allowed to import modern machinery and equipment up to a certain percentage of the value of the goods that may be exported by them in excess of their normal exports, say about 50 to 75 per cent.¹² This will enable those mills, which are prepared to adopt a more progressive export policy to arrange for the supply of modern machinery and equipment from abroad on a spread-over basis. But the government should declare its policy on a long-term basis. Furthermore, the industry can also secure substantial loans from the National Industrial Development Corporation. The jute textile industry has been successful in obtaining heavy loans from the Corporation. Its example is worthy of emulation by the Indian cotton textile industry. The industry should adopt all possible methods of modernization and rehabilitation so as to equip itself properly for meeting the diversified demands of foreign buyers who are essentially 'choosy'.

It is becomingly increasingly clear that notwithstanding all the measures adopted by the government, such as the establishment of the Cotton Textiles Export Promotion Council with branches at all important trade centres in the overseas markets, the sending of trade delegations abroad, the refund of excise duty, the holding of exhibitions showing the type and variety of Indian cloth available for export, the standardization of contract forms, the pre-inspection of goods, the survey and arbitration machinery, the removal of the difficulties experienced in preparing independent challans for shipping, and the simplification of customs formalities, exports of Indian cloth in foreign markets have been dwindling. We could only export 694.83 million yards of cloth valued at Rs. 54.70 crores in 1960, 574.30 million yards valued at Rs. 46.16 crores in 1961 and 508.36 million yards valued at Rs. 39.96 crores in 1962. These are disappointingly poor performances, particularly so when the shortage of foreign exchange resources is one of the most disquieting features of the Indian economy. India occupies an important position among the exporters of cotton textiles and exported 1,180 million yards of cloth in 1950-51, valued at Rs. 116.68 crores, which means a 20.2

12 Vide *Report of the Export Promotion Committee*, 1957, p. 100.

per cent share in the total value of exports for that year. In subsequent years, her performance has been going down. It has been ranging from 508·36 to 7·72 million yards, which means that the average share of cotton piecegoods in total exports was of the order of nearly 10 per cent. The following table indicates the export position of Indian cotton piecegoods :¹³

CALENDAR YEAR	EXPORTS IN MILLION YARDS
1951	736·10
1952	548·54
1953	652·24
1954	897·72
1955	815·49
1956	744·23
1957	843·91
1958	587·22
1959	814·60
1960	694·83
1961	574·30
1962	508·36

The table clearly shows that India has been steadily losing her hold in the world markets. As cotton textiles have a vital role to play in earning much-needed foreign exchange for the successful implementation of our plans, such a downward trend cannot but disturb the growth of our economy at an accelerated rate. An important explanation for such a disheartening tendency in the cotton textile trade is that we have not increased our exports of fine, superfine, bleached, dyed and printed cloth in the context of the unmistakable shift in the pattern of consumer demand for cloth in foreign markets. We have also neglected the raising of our business ethics to high standards. Since the future of the country's cotton textile industry is so closely interwoven with the export promotion of its manufactured products, it is imperative that we pay close attention not only to the adoption of modern techniques and practices, but also to our business ethics. It is true that more industrially advanced countries producing cotton textiles for export have been caught in the vortex, but India has suffered the most. This is principally due to the fact that whereas others have maintained the long-acquired advantages of a well-established marketing organization with

¹³ Source : 1950-56 : Joint Chief Controller for Exports, Bombay.
1957-60 : D.G.C.I.S., Calcutta.

their customers after the last war, India slipped back because her methods of marketing are out of date in many cases. With the abolition of export licences and the installation of automatic looms at an accelerated rate, the time has come for a comprehensive survey of the industry's marketing problems. It is well known that whereas more than two-thirds of the total export of Indian cloth consists of medium varieties, one-fifth consists of coarse varieties, and the remaining one-seventh of fine and superfine varieties, the consumer preference in many of the export markets is rapidly shifting towards finer varieties of products. We must find out what trade facilities are required in foreign markets, and what factors hamper our export trade in Indian cloth, with a view to bringing about the most favourable conditions for marketing development.

India's main outlet for cotton piecegoods lies in the countries bordering on the Indian Ocean, namely, Asia and Africa. In Asia, Japan and China are our biggest competitors. Communist China has invaded Asian markets by selling cotton piecegoods at ruinously low prices, coupled with long-term credits and a flood of advertising and propaganda. For obvious reasons, it is only a totalitarian country that can indulge in such marketing practices untrammelled by the conventional considerations of profit and loss. Japan, too, has felt the impact of terrific competition in cotton piecegoods from China in these markets. In such a context, India must expedite the adoption of modern marketing practices and up-to-date sales techniques, so that she may not be left behind in the race. She must also diversify the markets by concentrating on many other markets, such as those of Australia, New Zealand and Europe. Our industry should be able to produce efficiently anything within the purchasing power of a particular country, whether it be costly fabrics or the cheaper varieties. The advantages of exports to foreign markets should not be measured in terms of money alone, but also in terms of India's prestige in the domain of international commerce.

The Role of Banking

The importance of banking in the marketing of Indian cotton piecegoods at home and abroad is indeed great, for all marketing is inextricably intertwined with banks by virtue of the media of exchange furnished by them. But Indian

banking institutions are characterized by their conservatism. They are usually unwilling to provide large financial accommodation to trade and industry. It is a matter of common knowledge that they do not provide funds against stores and processed goods. Even in the discounting of usance bills, there is an unnecessary lapse of time. A special difficulty is encountered by many up-country mills which want to export their cloth in foreign markets in the matter of discounting their bills. It takes about one to two months before their bills are discounted, and in the meantime the goods are kept in the godowns at the ports awaiting shipment. This delay in banking handicaps these up-country mills in export marketing *vis-à-vis* the Bombay mills. There would be nothing wrong in banks furnishing advances against railway receipts on goods destined for export. As banking finance is meagre in this country, the Reserve Bank of India should come forward and encourage the scheduled banks to undertake banking operations in this field on a liberal basis. In foreign countries, banking is the most important adjunct to marketing. For example, the Bank of Japan authorizes local banks to make advances to exporters against Letters of Credit, and charges interest @ 6.945 per cent as against the usual overdraft rate of 10 per cent.

The role of banking in the case of export marketing is vital, for bankers undertake obligations on behalf of their clients, and perform certain functions which involve dealing with the customs department. In a way they serve as clearing agents, and shoulder responsibilities for payments on behalf of their clients, so that manufacturers and exporters get payments through banks immediately on shipment of goods in case of confirmed irrevocable Letters of Credit.

Conclusion

To conclude, the speed and the tempo of marketing activity must increase, as speed is of the very essence of success in this rapidly changing world. This industry must show greater enterprise and resilience in tapping fresh markets and nursing old ones, because it must devise ways and means of accelerating and diversifying its production at competitive costs, so as to market Indian cotton piecegoods in Indian and foreign markets at competitive prices. There is no reason why India's

largest established industry should not be able to play a vital role in the changing pattern of Indian economy by the adoption of modern techniques of marketing. Here the remarks of Shri Ramnati A. Poder, Chairman of the Indian Cotton Mills' Federation, are well worth recalling: 'The textile industry in all parts of the world is increasingly moving towards vertical integration. We in India have secured the advantage of an integrated growth of the spinning, the weaving and the processing departments, resulting in the establishment of a number of composite units, following the recommendations of a series of expert bodies.'¹⁴ It would therefore be most unfortunate if this hard-won advantage was frittered away for lack of a sound marketing policy. A vigorous sales promotion drive based on a sound market research programme would go a long way in stimulating the internal and overseas demand for Indian cotton piecegoods.

Recent trends indicate that the Chinese and the Japanese textile manufacturing industries are casting covetous eyes on many foreign markets where our textile products also find their way. Even the American and the European textile manufacturing industries are anxious to market the finer varieties of their products in these markets. Nor is this all. The Indian market, too, is considered to be within their marketing strategy. Therefore, unless the Indian cotton textile industry pursues a vigorous marketing policy on the lines indicated above, it will not be possible for India to compete successfully either in the home or in the foreign markets. Indian industry is at once confronted with a challenge, and tempted by an opportunity. The foreign market is extremely sensitive, a fact which vitally affects government policy in the field of international relations, besides earning foreign exchange and enabling the country to make larger purchases of industrial raw materials and capital goods for further industrialization.

As an organized industry of the greatest importance to the national economy, it must necessarily play an overwhelmingly important role in any programme of expansion of Indian exports of manufactured goods. It must emerge out of the woods on the basis of advanced technological skill,

¹⁴ See *The Hindu Survey of Indian Industry*, 1963.

and improved marketing efficiency, with a large, assured, and developing home market for its products, and with good export markets throughout the world. The home consumer would then see the benefit of rearing up an organized industry in an international setting in order to meet his diversified demand, and the industry would be able to export considerable quantities of Indian cotton piecegoods to foreign markets at competitive prices.

CHAPTER SEVEN

MARKETING OF INDIAN MANUFACTURED JUTE GOODS

The Development of the Jute Industry as an Export Industry

To study the marketing problems of a predominantly export industry is to study the demand patterns of an industry in the international setting. The jute industry exports nearly 850,000 tons of its manufactures annually, accounting for 21 per cent of the country's total earnings of foreign exchange and over 45 per cent of her dollar earnings. The significant contribution of this industry to the Indian economy has been increasingly recognized ever since the emergence of India, in the early twenties, as amongst the eight leading industrial nations of the world. Because of this industry, the Indian economy was changed overnight to such an extent that she came to be regarded as a country of industrial importance in international councils.

As it is overwhelmingly an export industry, the adoption of modern techniques of marketing is a vital necessity. The jute industry is extremely sensitive to changing market conditions in the world, where the two factors of demand and supply, and of competing interests, combine to determine the prices at which India can market her jute goods in world markets. Marketing helps to correlate demand and supply, avoiding some of the undesirable effects on the production front. Since its very inception, this industry has tackled the problem of marketing, looking upon production and marketing as the two blades of a pair of scissors. A planned marketing system was worked out to guide the apparatus of production, and the industry's production was thus enlarged in a systematic and thorough fashion.

India's jute industry was begun on the banks of the river Hooghly at Rishra, near Calcutta, in 1855, by an Englishman, George Auckland, in partnership with Byamsunder Sen, a Bengali gentleman. By 1885, the number of jute mills had increased to 20, with a total of 6,700 looms. The Scottish entrepreneurs developed the industry in India with great

rapidity. So phenomenal was the growth of the industry, that its manufacturing capacity doubled itself between 1880 to 1890, and again between 1890 to 1930.¹ The industry virtually reached the end of the phase of physical growth by 1930.

India's 113 jute mills, of which 101 are located in the industrial belt stretching along both sides of the river Hooghly in the Calcutta area, have 72,125 looms with a total capital worth Rs. 78.33 crores (Rs. 40.26 crores fixed capital) which produce over 10 lakh tons of goods annually, valued at Rs. 160 crores. Besides providing employment to over 3½ lakh workers and to several thousands of graduates in technology, the humanities, science, commerce, law, and the social sciences, a vast number of men is engaged in the jute trade right from the raw material stage to the point where the industry's manufactured products find large markets in the world. Indeed, the number of its beneficiaries is so large, and its influence on the national economy so all-pervasive, that it is well-nigh impossible to imagine what would have happened to the industrial character of India under a colonial set-up, had this industry not existed in the country.

At no stage of its growth did the industry require any protection, by tariff or otherwise. Even during the Great Depression of 1929-34, it continued to register uninterrupted progress. Neither was it adversely affected by the last war. But the emergence of Pakistan as an independent country hit this Indian industry very hard. A wall sprang up between the two wings of the industry. The currency deadlock between India and Pakistan in September 1949 added to the difficulties existing between the two wings of the industry ; and as the two countries chose two different economic paths, the marketing problem of the industry became highly intricate. It is only since 1955 that the industry regained its marketing strength, as India's dependence on Pakistan for the supply of raw materials has been drastically cut to a meagre requirement of less than 10 per cent for certain specialized products. Pakistan appeared to forget that the laws of economics are universal, and that they do not depend upon politics. The Indian industry has once again retrieved its original position,

¹ See *Report of the Jute Enquiry Commission*, 1954, p. 79.

only on receipt of the draft. The overseas buyer on the other hand was frequently reluctant to make payment without the receipt of the necessary documents. In the circumstances, the exporter had to draw up a set of bills of exchange and negotiate them with one of the local exchange banks whose agents at the other end would not make over the documents until the amount of the draft was realized. It is therefore not surprising that the overseas buyer was not prepared to pay high prices for the goods. He would also keep an ample margin for wiping off any likely losses which he might have to incur in receiving sub-standard goods or under-weights or an irregular supply of goods.

In those days, as now, FAS price (Free Alongside Steamer) was quoted on a unit of 100 yards in the case of cloth, and of 100 pieces in the case of bags. Quotation was usually CIF (Cost, Insurance and Freight). Sometimes, it was C & F, insurance being undertaken by the overseas buyer himself.

The old marketing procedure was essentially based on the 'no-risk' factor. In such a context, India's prestige in the sphere of international commerce sank in the eyes of foreigners, who quite rightly regarded India's methods of marketing as antiquated. Such marketing practices are obviously not in conformity with the rapid means of communication and advanced banking system of today.

New Marketing Procedure

Marketing must be freed from the clutches of ill-directed and haphazard practices, and raised to a higher plane. Marketing in modern times should be based on market research, distribution surveys, and consumer preference. Aggressive salesmanship is needed for satisfying old wants in new ways. The consumer needs to be educated on the technical merits of the goods through an unending flow of information and a well-planned publicity campaign. Both the jute industry and the jute trade will have to initiate modern methods and techniques of marketing so as to be able to afford full satisfaction to the buyer in regard to prompt shipments, weights, and specifications in an increasingly competitive world when India no longer holds the monopoly in this trade.

With a view to fostering goodwill among the overseas buyers towards the industry in India and meeting the particular

needs of the buyer, a Committee known as the 'Committee of Gunny Bag Buyers' was established in the year 1889. This Committee was converted the following year into the Calcutta Jute Fabrics Shippers' Association. Today it has developed into a vital organization, serving the interest of shippers, and developing modern systems of marketing based on quotations and contracts.

Generally, jute mills sell their products either to bazaar dealers and shippers through brokers, or by means of a principal contract, when the buyer is not on their list for direct sales. A contract form is used which embodies the terms and conditions of business. There is a document known as a Pucca Delivery Order which is commonly called PDO. The PDO is a negotiable instrument which passes through several hands between the date of issue and the date of the actual delivery of the goods. There are permissible variations in the specifications mentioned in the PDO. For example, jute mills may sell 8 oz. 40" cloth, but the buyer may be allowed the option of calling for the delivery of widths from 36" to 54", the weight of the cloth being in proportion to 8 oz. per yard for 40" width. In the case of sacking products, the contract stipulates the length ranging from 36" to 45", with the option of widths between 26½" and 29" together with colours and designs as required. The mills are required to carry out the particulars of the shipping instructions within five to seven days of their receipt, and as soon as the payment has been made in consideration for goods, a PDO is given by the mills to the buyer. In actual practice, the PDO is usually issued by mills in anticipation of production on hand, but a test check ensures the supply of goods in time.

Whereas the bulk of business with the U.S.A. is done directly with the American consumer of jute goods, with Great Britain, Australia, and other countries, it is mostly done through agents. Generally, overseas consumers or agents send out enquiries to Calcutta exporters or shippers who, in turn, circulate them to the mills. Offers are made, binding on these exporters for a definite period, say 24 hours from the time of their despatch, and sales are effected by cable, the exporters confirming the transaction through the issue of a standard contract which contains necessary details about

shipments, insurance, delays, remedies in the event of disputes, etc. The shipping bills contain a number of columns relating to the name of the vessel, the master or agents, flag, and the port at which goods are to be discharged. The exporters receive payment through the exchange banks merely on presentation of confirmed Letters of Credit. After the bank has been satisfied that the conditions in the L.C. have been complied with, the exporters receive payment on presentation of the shipping documents. This also means that the foreign exchange is assured, fulfilling the obligations in regard to the Foreign Exchange Regulations laid down by the Reserve Bank of India.

So far as the marketing procedure for the home market is concerned, marketing is conducted through brokers to wholesale distributors, other details remaining the same in a simplified manner. Some mills however have their own agents who work through brokers and sub-agents, collect orders, and arrange for the supply of goods required, making payments to the agents after delivery of the goods which had been agreed upon. The consumption of Indian jute products inside the country is around 20 per cent ; jute is used in India for bagging foodgrains, sugar, fertilizers, cement, and for numerous other purposes. The home market is bound to increase further by the time India completes her Third Five-Year Plan.

Types of Merchants Dealing in Jute Manufactures

From the marketing point of view, it is significant to note that up to the closing years of the nineteenth century, there was only one single class of export merchants under the old set-up of marketing. No mills conducted export marketing on their own. Gradually, however, not only did the functionaries in marketing increase, but mills also began to figure prominently in export marketing. At present, there are five types of functionaries dealing in jute goods. They are :

1. The shipper or exporter ;
2. The speculative dealer ;
3. The bazaar speculative merchant ;
4. The broker dealer ; and
5. The broker.

We must now consider their distinguishing features in order

to have a clear idea of the part played by each of them in the realm of marketing.

1. *The Shipper or Exporter* : Since the earliest days of the marketing of jute products in overseas markets, the shippers or exporters have been the main prop of export marketing. They purchased goods from mills directly for export purposes on the basis of the orders received from overseas buyers. Until the closing years of the nineteenth century, they were the only marketing functionaries dealing in export markets. They charged a nominal commission, ranging from $\frac{1}{2}$ to 1 per cent. As the commission was low, the business was conducted on 'no-risk' basis. Such merchants flourished along with the industry. Most of the present shippers or exporters are either the sons or grandsons or near relatives of the earlier pioneers.

2. *The Speculative Dealer* : In due course, some *marwari* merchants found ample scope in purchasing jute goods much in advance, selling them to exporters at higher prices at some future date. They began to operate in the market from the opening years of the twentieth century. They spread their tentacles to such an extent that in course of time even mills were attracted to them. They operated in the market either as bulls or bears, and became shock absorbers in periods of crisis. Often, in times of stress they supplied ready cash to the mills. In this way, they financed the industry indirectly, though the speculative element also emerged with their appearance in the market.

3. *The Bazaar Dealer* : The bazaar dealer usually figures in home marketing alone. He renders important marketing services to the mills by stabilizing the internal demand for manufactured products. He channels manufactured goods to every nook and corner of the country by getting them either directly or through agents and sub-agents, and distributes them among wholesalers, from where goods ultimately pass to the consumer either directly or through retailers. Sometimes, he engages under-brokers who help him in the marketing process. He has his own office, *guddy*, and godown. He acts as a *bulwark* in the home market.

4. *The Broker Dealer* : The broker dealer is an intermediary who works on a commission basis. He collects his brokerage

from the seller in accordance with the trade practice. On occasion he, too, indulges in speculation.

5. *The Broker* : This functionary is an important link in marketing. He is a buffer between the buyer and the seller. He possesses detailed information about price movements, stock details, and the sale of goods. Usually, he is well posted with world market conditions. He can give precise information on the spot about the sizes, counts, and finish of all types of goods.

An Explanatory Note

There is a pronounced tendency for mills to undertake marketing operations independently. At present, 42 per cent of export marketing is carried out by mills. The influence of merchanting channels, therefore, has been on the wane. This, so far as it goes, indicates a healthy trend. Mills are able to establish direct connections with their overseas customers. They can study changing conditions in the world market, conduct market research, plan distribution surveys, and provide several kinds of service to overseas buyers to strengthen the competitiveness of their products. All these sales promotion efforts are needed in the marketing of jute goods which are industrial goods. These industrial goods are acquired by business concerns in different parts of the world for use either in their own production of other goods and services or in the consumption of other goods produced by different manufacturing concerns of the world. As such, the marketing of a part of jute goods by the mills themselves is a healthy sign in industrial marketing, but it should not be carried too far, as the existing merchanting channels provide a most valuable link between the industry and the overseas buyers interested in the industry's products.

Futures Market

It is a common saying in America that, next to horse racing, burlap trading is the greatest speculation in the world.³ A great deal has been written on the futures market by Sir John Anderson, and Prof. J. A. Todd, among others. Even the British Working Party in its report on the jute industry recognized the damaging effects of speculation, holding the view

³ See *A Digest of the Marketing Survey of the U.S.A. & Canada*.

that world prices are undoubtedly influenced by the operations of speculators. The Committee also held the view that speculation was largely confined to Calcutta and mostly to operations on the *Futures* market.⁴ In actual practice, speculation takes many forms. People 'take a view'. The contract from the mill generally passes through several hands before shipment is made. Each of the persons through whose hands the contract passes, takes a view, and the price is thus pushed up in each successive step during the time the contract changes hands. This process furnishes a venue for unbridled speculation, for the contract passes through many hands between the date of its issue and that of the actual delivery of the manufactured goods. Without doubt, forward trading, in the absence of any regulated attempt at canalizing and systematizing marketing, is fraught with serious consequences.

The Government of India were gravely concerned by the speculative element in the jute trade. They thought that the multiplicity of associations for forward trading was not only unnecessary but even harmful. They therefore approved the East India Jute and Hessian Exchange for futures trading in jute and jute manufactures, granting the body recognition under section 6 of the Forward Contracts (Regulation) Act, 1952. In declaring this Exchange open on the 29th March, 1958, the Union Minister for Commerce (now of Industry), Shri Nityanand Kanungo spoke on the need for maintaining a measure of stability to safeguard the interests of both cultivators and manufacturers alike. By the provision of 'hedging facilities', market fluctuations, which arose from frequent imbalance between production and consumption, would be ironed out. This represents the first attempt of its kind to weld into one well-knit, compact body forward trading in the interests of the marketing development of the manufactured products, made from the 'golden fibre' which has proved to be a mine of 'gold' for India in the course of the last hundred years. This has been a realistic approach to the much-vexed problem of the futures market.

Market Surveys

India's best organized export industry no longer occupies

⁴ See *Working Party Report : Jute*, London, 1948, p. 108.

a near-monopolistic position in the world (as is often described in old literature dealing with Indian economics), for India only manufactures 53 per cent of the total world output. The remaining 47 per cent is shared by a large number of countries, including Pakistan, the United Kingdom, and France. The Export Promotion Committee has, therefore, rightly observed : ' Time was when jute, being the cheapest packaging material available, could be readily sold in every part of the globe. At that time India was the sole producer of this fibre.' But today the Indian industry cannot afford to rest on its laurels ; it must go on, or it goes back. The highest marketing efficiency is now essential, and the most determined action, not only on the part of individual units, but also on the part of the industry as a whole, would overcome the formidable problems of marketing which can be seen looming ahead of the industry. All marketing efforts would, however, be rendered ineffective, if the manufactured goods to be marketed do not carry quality along with competitive prices which would be essential for boosting sales in the world markets. Nevertheless, the best products will not sell easily unless they are backed by adequate publicity and promotional activities. This industry, therefore, must make vigorous efforts in the sphere of publicity and institute a well-thought-out public relations programme in its traditional export markets to consolidate its position. Obviously, to be able to perform this task effectively, the industry must study its markets intensively and continuously. The industry is specially fortunate in having the Indian Jute Mills Association for its guide, philosopher and friend. The I.J.M.A. has launched a strong public relations and publicity campaign in recent years.

As a first step, a market survey for the American market was entrusted to the firm of Messrs. J. Walter Thompson, a well-known firm of advertising and publicity experts, who maintain a world-wide organization. This market survey was undertaken in 1946-47, and it formed the background for others. Another market survey of a more comprehensive nature was conducted in 1951 by the I.J.M.A. through the Economist Intelligence Unit, which covered the

⁵ See *Report of the Export Promotion Committee, 1957*, p. 93

principal markets for Indian manufactured jute goods in the world. The I.J.M.A. also appointed a number of delegations and missions and made rapid market surveys through these agencies. Amongst them, the Low Delegation, the Moncur Mission, the Walton Mission, the Trade Promotion Delegation, the Jamieson Delegation, the Pilkington Delegation and the Birla Delegation have not only fostered goodwill amongst overseas markets towards the Indian jute mill industry, but, more important still, they have established important market links between the home industry and its consumers abroad. Furthermore, the I.J.M.A. has also established a Burlap Council in New York.⁶ The industry has therefore launched a sustained export promotion campaign through these market surveys. It is apparently determined to leave nothing undone that would contribute to its marketing development.

Planning of Home Market

It is heartening to note that the home market for jute goods has shown distinct signs of improvement, which reflects the building up of a more progressive and diversified economy. By 1955, home consumption rose by more than 50 per cent to a level of 169,000 tons, which means that 16 per cent of the total production went into the internal market.⁷ The pre-war consumption was anywhere between 10 to 11 per cent of the total production. The home market rose further to 266,500 tons in 1960 out of a total all-India production of 1,110,400 tons. It will thus be seen that the home consumption very nearly doubled itself during the last two decades. The industry seems to have responded well to the stimulus of the First and Second Five-Year Plans.

It is expected that the home market will absorb about a quarter of the industry's production by the end of the Third Five-Year Plan which began on 1st April, 1961 and ends on 31st March, 1966. But this would require an organized effort, so that various consumers could be properly guided into the greater use of jute textiles. The State undertakings will also provide suitable outlets for jute products. There are now over 200 such undertakings in the country. If a systematic effort is made through the State Trading Corporation

⁶ See *Jamieson Report*, Calcutta, January, 1959.

⁷ See *Export Promotion : A Study*, Federation of Indian Chambers of Commerce and Industry, New Delhi, 1956, p. 13.

to purchase jute textiles for feeding the needs of these undertakings, there would be a sizeable increase in internal consumption. Likewise, intensive propaganda for other sectors of the Indian economy can be undertaken. The cumulative effect of all these measures would lead to the enlargement of the home market for jute products. Already, the home market for sacking is next to the Australian market. The home market has now become the industry's second best customer. The time has come when we should also make vigorous efforts for increasing the internal consumption of hessian and specialized products. In any case, India's requirements of jute products will increase in the years to come.

Planning of Export Markets

Owing to the special role which the country's manufactured products play in balancing India's foreign exchange budget, the jute industry has overhauled its entire marketing structure in recent years. The share of jute goods in the foreign exchange earnings of India has been 19.8%, 37.1%, 22.6%, 21.7%, 21.1%, 19.6%, 19.6%, 18.0%, 17.6%, 16.4%, 21.5%, 21.9%, and 20.9% for the years 1950-51, 1951-52, 1952-53, 1953-54, 1954-55, 1955-56, 1956-57, 1957-58, 1958-59, 1959-60, 1960-61, 1961-62 and 1962-63 respectively. In other words, the ratio of this industry to the total export trade of this country is precisely 21.4 per cent. This is indeed a substantial percentage when we bear in mind that the happy monopoly days of this industry are over, with the creation of Pakistan when 80 per cent of the jute growing areas went over to the other side of the border and the jute mills on this side were confronted with an acute shortage of raw materials. India steered clear of all shortages in due course and managed to maintain her position of strength but she found that Pakistan became a formidable rival and the Indian monopoly in the industry existed no longer. Pakistan is now going ahead with a well-conceived plan of establishing a strong rival industry equipped with the latest and most efficient machinery. Between now (1963) and two years later, 4,000 new looms would be installed in Pakistan, raising the total number of looms to 14,000 which, on the basis of 2½-shift working, are equivalent to 35,000 looms. The British Government has already granted a loan of £ 2.36 million for the expansion of

the Pakistan jute industry. Nor is this all. The World Bank is also being approached for a loan for the same purpose. It is this development, together with the advantage of cheaper and better quality raw material, lower wage rates, and, above all, an export bonus system which the jute industry in Pakistan enjoys, that has necessitated the adoption of the latest techniques in marketing. It is therefore clearly necessary in this context that the world markets should be assured of fair marketing practices and prompt shipment of manufactured jute goods at competitive prices, so that the industry can continue to play its customary vital role in the Indian economy.

A table showing the production of jute goods in India is given below :⁸

PRODUCTION OF JUTE GOODS IN INDIA
(In '000 tons)

YEAR	HESSIAN	SACKING	OTHERS	TOTAL ALL-INDIA
1947 . . .	453.7	520.6	35.5	1,052.3
1948 . . .	480.1	540.4	28.4	1,089.4
1949 . . .	328.8	561.6	32.4	959.5
1950 . . .	317.6	484.9	34.0	870.1
1951 . . .	322.0	520.0	32.1	909.2
1952 . . .	311.4	607.2	33.2	989.9
1953 . . .	388.8	450.6	29.8	904.0
1954 . . .	388.9	506.1	32.7	964.8
1955 . . .	401.4	574.7	51.1	1,068.4
1956 . . .	415.2	606.5	72.1	1,136.5
1957 . . .	414.3	548.7	66.9	1,070.6
1958 . . .	407.1	582.4	72.3	1,102.6
1959 . . .	458.0	503.7	89.8	1,094.2
1960 . . .	422.2	540.7	104.2	1,110.4

The above table, when analysed, indicates that the production of jute goods in India which was 10.52 lakh tons in 1947 came down to 8.70 lakh tons in 1950 when the impact of Partition was at its peak on the industry. It is only in 1955 that the industry succeeded in turning tables in its favour by increasing the production to 10.68 lakh tons which was comparable to the 1947 production. This shows a remarkably smooth adjustment to the new conditions and circumstances caused by Partition. Since then, the industry has been

⁸ Source : *Annual Summary of Jute & Gunny Statistics*, 1960, issued by the Indian Jute Mills Association, Calcutta.

able to show signs of bounding in its growth and development. In fact, the period from 1955 onwards is marked by further advances on the production front. The setback caused temporarily by Partition was overcome and production surged ahead at a pace that surprised the most optimistic. Notwithstanding this, the industry's products lost ground to some extent in certain markets, but then the ever-increasing home market, because of the planned economy, stood in good stead. The industry seems to be determined to do its utmost in the field of marketing. It is strenuously engaged in the export battle with the help of sharp marketing weapons. The following table bears this out.

The table showing the exports of jute goods from India to the world is given here :⁹

EXPORTS OF JUTE GOODS FROM INDIA
(In '000 tons)

YEAR	HESSIAN	SACKING	TOTAL (including others)
1931 .	2.90 5	3.51 4	6,58 3
1932 .	2.93 1	3 75 1	6 81 1
1933 .	3.03 5	3.63 0	6,77 3
1934 .	3.01 4	3.58 3	6,68.7
1935 .	3.40 8	3.85.5	7,34 9
1936 .	4,54.6	4.44 0	9,11.2
1937 .	4,95.4	5.16 5	10,31.4
1938 .	4,59 3	4.86 7	9,63 2
1939 .	4,79 1	5.05.1	10,11 9
1940 .	5,46 7	4,79.4	10,41 5
1941 .	4,27 3	3.92 2	8,49.6
1942 .	3.18 0	3,66 4	7,04.1
1943 .	3 11 2	2.81.4	6 02 9
1944 .	3 96 1	3.04.0	7,15.4
1945 .	3,64.0	2 59.6	6,46 6
1946 .	3,89 5	3.02 0	7,29.8
1947 .	4,03 2	3,92 5	8,33.1
1948 .	4,73 1	4,51 2	9,58 5
1949 .	3,36 5	4,23 1	8,01.1
1950 .	2 93.0	3,42.9	6,78 3
1951 .	3,01.0	4,24.2	7,76.7
1952 .	2,87 8	4,18.1	7,34 2
1953 .	3,83 4	3,24.1	7,47 3
1954 .	3,70 7	4,30.6	8,42 2
1955 .	3,87.3	4,33 0	8,77.0
1956 .	4,02 6	4,08 9	8,63 0
1957 .	4,00 7	4,22.9	8,59.7
1958 .	4,12 2	3,40.3	7,93 5
1959 .	4,53 3	3,49.0	8,60.2
1960 .	4 19.9	3,07 8	7,97 6

⁹ Source : *Accounts Relating to the Foreign Trade & Navigation of India*, Government of India

The table shows that the exports of jute goods, both in hessian and sacking, have been maintaining a stable upward trend since 1931. The exports of Indian manufactured jute goods have always played a unique part, and, with imaginative planning, we may continue to maintain the marketing strength of the industry's manufactured products for very many years to come.

Let us now rapidly examine our principal foreign markets.

The American Market : This is the biggest and richest market, accounting for about 18 per cent in physical volume of the total world consumption of the fibre. The American demand for Indian manufactured jute goods is a decisive factor for the fortunes of the Indian industry. This market obtained about 87 per cent of its total requirements from the Calcutta industry. The preponderant position of the United States as a market for Indian products relative to the total output of the Calcutta industry is shown in the following table :¹⁰

U.S. IMPORTS AND INDIAN OUTPUT OF JUTE GOODS
(In '000 tons)

YEAR	U.S. IMPORTS OF HESSIAN FROM INDIA	INDIAN OUTPUT	
		HESSIAN	TOTAL
1947	232.0	453.7	1,052.3
1948	217.2	480.1	1,089.4
1949	190.5	328.8	959.5
1950	162.0	317.6	870.1
1951	123.1	322.0	909.2
1952	177.5	311.4	989.9
1953	151.5	388.9	904.0
1954	153.1	388.9	964.8
1955	179.1	401.4	1,068.4
1956	196.2	415.2	1,136.5
1957	187.2	414.3	1,070.6
1958	186.9	407.1	1,102.6
1959	218.2	458.0	1,094.2
1960	200.1	422.2	1,110.4

An analysis of the table would reveal that the average U.S. intake of jute goods from India was of the order of 155.3 thousand tons annually during the 1947-60 period, constituting 15 per cent of the total Indian production, which

¹⁰ Source : *Annual Summary of Jute & Gunny Statistics*, 1960.

averaged 1,021.6 thousand tons a year. The American market is a hessian consumer. The Indian industry annually produced 383.8 thousand tons of hessian on an average during the 1947-57 period, and therefore the American market consumed 46.6 per cent of Calcutta's output of hessian.

India has thus been making a substantial addition to her earnings from the American market through this source. In fact, the Calcutta industry is the king-pin in Indo-U.S. trade.

The following table indicates the share of the Indian industry in the American market in so far as the burlap consumption is concerned :¹¹

IMPORTS OF BURLAP INTO U.S.A.
(In '000 tons)

YEAR	INDIA	OTHERS	TOTAL	INDIA AS % OF TOTAL
1935	170.9	34.9	205.8	83.4
1936	217.0	31.8	248.8	87.2
1937	254.6	40.2	294.8	86.8
1938	205.5	19.6	225.1	91.5
1939	176.1	21.0	197.1	89.5
1946	238.4	7.3	245.7	97.3
1947	232.0	9.7	241.7	95.9
1948	217.2	9.2	226.4	95.7
1949	190.5	8.9	199.4	95.5
1950	162.0	25.0	187.0	87.0
1951	123.1	26.0	149.1	82.6
1952	177.5	38.1	215.6	82.3
1953	151.5	42.9	194.4	77.9
1954	153.1	32.6	185.7	82.4
1955	179.1	32.7	211.8	84.6
1956	196.2	39.0	235.2	83.4
1957	187.2	33.3	220.5	84.9
1958	186.9	30.7	217.6	85.9
1959	218.2	37.9	256.1	85.2
1960	200.6	39.2	239.3	83.7

An analysis of the above table reveals that whereas the share of the Indian industry in the American market for hessian was 88 per cent of the total during the pre-war years, it was 87 per cent during the post-war period between 1946-60. It is therefore incumbent upon the Calcutta industry to see that the American market is fully satisfied in all respects. The need for intensive propaganda and publicity cannot be too strongly stressed in today's buyers' market, when the

¹¹ See *Annual Summary of Jute & Gunny Statistics, 1957*, p. 27.

Calcutta industry is exposed to the full blast of competition, and when other competing countries including Pakistan are looking forward to increasing their share of exports of burlap in the American market. Luckily, the I.J.M.A. lost no time in inaugurating a publicity and public relations campaign in the American market. It has also established a Burlap Council in New York as a joint undertaking with America's leading concerns such as the Burlap and Jute Association, the Independent Bag Manufacturers' Association, the National Burlap Dealers' Association, and the Textile Bag Manufacturers' Association. The Association's public relations and technical services in the American market have been established on a sound basis. The staff of the Burlap Council studies the consumer needs and keeps abreast of the latest trends in marketing. As such, the Association certainly deserves to be most heartily congratulated. *En passant*, it may be added that the Shrivastava Committee's observations in respect of market intelligence services and surveys of consumption trends acquire an added significance. The time has come when we must assess the market potentialities and study the problem of marketing in all its bearings so as to increase the competitive capacity of the industry. Without doubt, it is far more difficult to set up a marketing organization than to install the latest type of machinery and run it with optimum efficiency. Marketing is as much a creative function as production. Perhaps more. It is a highly skilful technique which calls for specialized knowledge and experience of markets, so that the goods can be pushed into a particular market in accordance with the buyers' exact requirements. More specifically, the American market is highly sophisticated, quality-conscious, fastidious and discriminating and, as such, the Association has done well by bestowing special attention to this aspect through the establishment of the Burlap Council. The Council has evinced a great deal of interest by studying the American market continuously and extensively, besides helping the Calcutta industry to build up trade contacts on a scientific basis. The industry is spending \$. 100,000 to \$. 110,000 annually for promoting its marketing interests in the largest single market, which is a happy augury for the future.

Other World Markets

We may now group the rest of the foreign markets and study their marketing development. The following two tables, which show the exports of hessian and sacking separately in the different markets of the world excluding the American market, constitute a revealing study in marketing.¹²

Hessian and sacking are the two main products, but there are others also, such as canvas goods, rope and twine, twist and yarn, and other specialized types of products which find world markets, though they represent only an insignificant percentage of the total exports. These miscellaneous manufactures hardly amount to 6 per cent of the total quantities of exports. As such, their statistics have not been given country-wise.

Australia figures prominently among the other world markets. The Australian market is an important traditional market, consuming as it does large quantities of woolpacks and cornsacks, and, in the context of a growing population and a diversified and expanding economy, it is likely to absorb more jute goods in the coming years. Although the Commonwealth Government's control over the gunny trade in Australia ceased a long time ago—in the case of woolpacks from 1st January, 1955, and in the case of cornsacks from 1st February, 1956—there is still a Commonwealth Jute Controller and purchases of jute goods by the trade in that country are regulated through the medium of the import licensing system. The procurement of import licences for jute products is quite easy, as they fall under the category of essential materials. Notwithstanding the inexorable advance of bulk handling in the sugar and fertilizer industries and elsewhere, there is no occasion for undue pessimism about the future prospects of our trade with this part of the world. The Indian industry's products are still in a strong position in this market, though Pakistan of late has been offering stiff competition. The Jamieson Delegation which returned to India on 21st November, 1958, after visiting South-East Asian countries including Australia, recommended the appointment of a full-time representative in Australia, and the constitution

¹² Source - *Accounts relating to the Foreign Trade & Navigation of India*, Government of India.

EXPORT OF INDIAN HESSIAN TO WORLD MARKETS
(In '000 tons)

COUNTRIES	1934-39	1940-45	1945-50	1950-51	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
U.K.	48.1	66.1	53.0	20.1	69.9	18.7	62.5	63.0	38.2	41.6	26.7
Rest of Europe	5.3	0.6	8.9	1.3	0.7	1.0	1.7	1.5	3.7	8.8	20.0
Near East	4.0	4.9	4.3	3.7	5.7	2.4	2.4	1.0	3.2	1.0	3.9
Far East	13.2	4.1	5.0	2.2	2.7	6.8	4.6	4.2	7.6	5.5	8.6
Africa	12.5	19.2	10.2	9.6	8.8	6.1	0.7	4.7	8.3	12.9	20.8
Canada	22.9	20.9	27.9	19.9	17.1	22.0	24.6	27.8	31.9	35.6	33.7
Argentina	59.8	41.0	42.2	42.3	44.5	31.5	1,02.3	69.1	61.4	41.3	64.2
Rest of America	11.9	8.5	9.2	5.4	7.6	9.1	7.7	9.7	9.1	14.9	13.8
Australia	11.1	11.0	7.9	6.8	9.7	5.4	11.2	11.2	14.1	14.2	15.5
New Zealand	2.0	2.1	2.1	1.2	2.5	1.4	1.7	3.1	3.5	3.6	6.5
Others	2.5	2.0	3.5	1.4	1.3	28.5	29.0	19.8	28.7	41.2	3.9

EXPORT OF INDIAN SACKING TO WORLD MARKETS (In '000 tons)

COUNTRIES	1931-39	1940-45	1945-50	1950-54	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58
U.K.	23.0	27.5	17.6	31.0	23.8	17.3	15.8	15.5	15.1	11.9	11.8
Rest of Europe	24.1	3.7	22.1	13.3	19.3	7.0	11.1	9.8	10.2	8.6	9.6
Near East	10.2	13.9	22.6	28.3	28.5	28.8	15.7	22.4	10.4	7.0	2.1
Far East	1,57.7	11.9	62.5	69.8	1,00.9	63.7	70.6	81.1	87.4	82.8	80.5
Africa	96.6	1,08.7	83.1	55.0	81.7	53.9	13.2	76.6	72.2	90.2	1,05.9
Canada	0.9	0.1	0.1	—	0.8	—	—	—	—	0.2	—
Argentina	6.0	2.5	1.4	2.3	1.3	1.7	1.5	3.1	1.5	0.6	2.0
Rest of America	53.4	63.1	75.9	81.2	1,05.6	81.1	73.7	68.6	66.2	63.1	77.3
Australia	61.4	67.3	63.5	65.4	79.3	17.8	57.2	93.5	107.1	93.6	71.1
New Zealand	10.5	13.6	8.6	4.9	10.0	7.1	6.3	12.8	10.2	12.5	8.7
Others	2.0	2.7	1.4	0.8	3.6	19.1	51.0	52.6	48.9	37.6	27.3

of a Jute Goods Council on the lines of the Burlap Council in America, believing the Australian market to be 'quite important. 'As India's principal export market for sacking', remarks the Delegation, 'Australia occupies in respect of heavy goods the same position as the U.S.A. in respect of hessian.'¹³ Admittedly, even though exports of jute products in the Australian market are on a smaller scale, this is still the next best market.

Great Britain also figures as an important market for Indian jute fabrics, and purchases hessian bags for such purposes as packing light cereals, chaff and grass seeds. She also imports such goods as standard B. twills, Liverpools, Australian cornsacks and D.W. flour bags. The Dundee industry mostly caters for upholstery work, the tailoring trade and building purposes. Besides its own consumption of Indian jute products, Great Britain is also actively engaged in the re-export trade of Indian manufactured jute goods in the North and South American markets, as well as in some of the markets of Europe. Quite recently, the re-export trade of Great Britain has fallen off significantly. Faced with such a difficult market situation and finding that the home market was absorbing Indian products, Great Britain adopted a novel technique of the 'mark-up' system wherein the landed cost of our goods is equated with those of the Dundee industry by an imposition of 10 per cent impost on our goods. This impost was as high as 20 per cent until 15th August, 1963. From 16th August, 1963, the same was reduced to 10 per cent. The Dundee industry should have no apprehensions about the Calcutta industry, as there is little direct competition between the two. The bulk of the Dundee industry's output normally consists of specialized products which go to different markets from ours. We should make efforts at Government level for the removal of the present impost which has hampered the easy flow of our goods into the British market.

Canada is another country which absorbs large quantities of our products. Many Canadian firms are engaged in the bag-making industry in order to cater for the requirements of different industries for packaging of goods in convenient sizes. Colour printing, designs and trade marks are used very

¹³ See *Jamieson Delegation Report*. I.J.M.A., January 1959, p. 70.

effectively so as to give a pleasing appearance to the packaging style. The Canadian trend towards the standardized consumer-size packaging offers good scope for widening the marketing possibilities of our jute products in that market.

Argentina used to be a large market for our jute products, importing them in heavy quantities for chemical products, meat products, cereals, oil seeds, and other agricultural produce. The sale of Cuban bags in the Argentine market was by far the largest. This market used to absorb about *one-fourth of our total exports of this commodity*, but the uncertain political conditions in that country caused a fall in our exports of Cuban bags.

The New Zealand market absorbs a small percentage of our jute products. The New Zealand economy is much less diversified, and her reserves of foreign exchange are much smaller in relation to essential import requirements. Even so, jute goods are regarded in that market as essential commodities. But the pool system of average price hampers the greater offtake of jute products in that country. The pool system consists in pooling the landed cost of all the shipments of cornsacks and woolpacks during the year with the cost of the stocks carried over from the previous season, and the fixing of the price is then undertaken by the Price Tribunal. It is thus clear that the jute goods trade in New Zealand lacks the competitive element. That is why the offtake is less than the market prospects in that country.

South Africa is another important country importing Indian manufactured jute goods, but lately marketing link-ups have been virtually non-existent owing to political relations between the two countries.

Besides the above-mentioned markets for our jute products, we have many more markets, particularly in the East European countries and elsewhere. The export outlook of Indian manufactured jute products in Russia and East Germany would become bright, if concerted efforts were made towards export promotion through a single agency system.

Russia is the main potential buyer of Indian manufactured jute goods. The Trade Promotion Delegation headed by India's Ex-Deputy Minister for Commerce and Industry, Shri Satish Chandra, visited a number of East European

countries besides Russia, towards the middle of 1958, and found bright prospects for exports of Indian jute products in the U.S.S.R. The total number of looms in that country does not exceed 4,000 running in two or three shifts. The U.S.S.R. has vast areas under agricultural and industrial production, and she is acutely short of packing materials. The main difficulty in increasing our exports of jute textiles to that country is centred round the balance of payments position. The U.S.S.R. Government buys from a foreign country only to the extent that the selling country makes purchases from them, so that their trade balance is not adversely affected. They have only Government purchase agencies. There are no import duties, though, for obvious reasons, there is no relation between the internal price and the imported price of goods. Anyway, there is a great possibility of increasing our exports of jute goods to Russia, provided the volume of import from the U.S.S.R. is suitably adjusted, so as to enable the Calcutta industry to market its products successfully in that country.

East Germany is another country which offers good prospects for Indian jute products. There is a great demand for Indian manufactured jute goods in that country. The East German market requires 12 lakh sq. metres of hessian cloth annually. It is for the State Trading Corporation to come forward and channelize trade with East Germany in jute products to a considerable extent.

There are many more countries in East Europe such as Czechoslovakia, Poland, Rumania, Bulgaria, Yugoslavia, Hungary, etc., each of which can absorb small quantities of Indian jute textiles, particularly in specialized varieties, but what is required is intensive propaganda. We have Rupee Agreements with most of these countries. It should not be difficult to exploit these newer markets for our jute products. We should make Russia the base for our marketing operations. Other countries, being within the orbit of Soviet influence, are bound to follow suit.

Diversification of Production through Modernized Equipment

Although the jute industry is extremely well integrated, it is aware of the competitive forces facing it, and it hopes to face the future determined to keep its manufactured goods

as cheap as possible, and to see that they are readily available. It is also always ready to vary and adapt its manufactures to suit the world demand. The industry knows that jute products, though still ubiquitous, are no longer exclusively employed for the purpose of packaging, and where they are so used, it is no longer certain that the products are of Indian origin. The industry is also aware of the fact that its best prospects lie in increased diversification of production.

By stepping up its efforts, the Indian jute manufacturing industry has been able to maintain the export figure at 850,000 tons per annum on an average, and it hopes to figure prominently in the country's export trade. But for attaining the export target of 900,000 tons by the end of the Third Five-Year Plan, the industry needs greater diversification of production. The greater diversification of production is not particularly difficult to achieve when one recalls the fact that not only is it a highly concentrated industry within the industrial belt of Calcutta, but that 75 per cent of the mills are under the control of a dozen managing agency houses, and of these twelve, four control about 45 per cent of the loomage.¹⁴ As the great majority of mills is owned by a few groups, they may be geared into working out a well-planned scheme of diversification. This will be an effective method of compensating the losses, actual or likely, in world markets, arising either from substitutes, the bulk handling system, or by the development of the jute industry in other parts of the world.

One specialty product that has made spectacular progress recently is carpet backing cloth for tufted carpets. This variety of wide hessian is produced on broad looms, whose number is rapidly increasing. At the end of 1963, there were over 2,000 broad looms in operation which is indeed a creditable achievement. This single item, carpet backing cloth, contributed about Rs. 25 crores to the export earnings of about Rs. 160 crores from jute goods in 1963-64. The market is the U.S.A.

We may open and popularize new lines of manufactures such as suiting cloth, refined carpets, blankets, rugs and

¹⁴ See *Report of the Jute Enquiry Commission*, 1954, p. 60.

wrappers from woollenized jute, tin and tea-chests, pre-fabricated bituminous sacking or surfacing, tents, awnings, canopies, umbrellas, holdalls, sports equipment, ice bags, water-repellent slip covers, upholstery for porch and lawn furniture, apparatus for heating engines in frozen climates, protective coverings, canvas kits, money belts, suitcases, shoe-cases, delivery boxes, ventilation and air ducts, collapsible buckets, life-saving equipments, post office bags, chair cloth, jute cans for cotton textile mills, impregnated jute membrane for road building, irrigation canal lining, suitable jute cloth in place of the existing tobacco shade cloth, and crepe kraft paper-lined hessian. Marketing prospects for these and many more specialized products should be explored, the help of the Government being sought wherever necessary. Only by making available the widest range of new items of manufactured goods at competitively cheap prices, shall we find improved prospects for the Indian jute manufacturing industry which has served the nation for well over a hundred years.

The industry has virtually completed a major part of its modernization programme under a well-thought-out scheme. This has been made possible as the bulk of the machinery required for the modernization programme, particularly in the preparatory and spinning departments, is being manufactured within the country. The programme is being carried out by the industry partly with the help of loans granted by the National Industrial Development Corporation. But the industry has depended largely on its own resources for speeding up the process of modernization. Considering the odds against the Calcutta industry, it is a laudable attempt. It is thus clear that Herculean efforts are being made to enable the jute industry to retain its supremacy both as the supplier of the finest and cheapest packing material to agricultural and industrial consumers throughout the world, and in its new role as the manufacturer of new products, thus helping it retrieve its original predominant position in the world markets.

The Role of Banking

Banking in our country is no more a child, toddling and falling and getting up again. It is now playing its rightful place in promoting our marketing progress. Marketing

progress is not only achieved through banking development but the latter also helps industry and trade by providing them with the sinews of finance.

Sound banking is an indispensable adjunct to marketing. The jute industry has made the maximum use of the banking service from the very beginning. Some jute mill magnates have a stake in large banking concerns, and this factor has helped the industry to benefit by the latest and most dependable information, affecting the marketing conditions for export markets in particular and home markets in general. Large advances and loans against jute fabrics are made throughout the year, and they are facilitated by the operation of the *Pucca Delivery Orders*, called PDOs. In fact, the jute industry has been specially fortunate in being able to avail itself of liberal banking facilities, subject to the normal precautions being taken by the banking machinery of the country in lending money to the industry and trade alike.

Jute products are stored in Calcutta, which is both the manufacturing and the exporting centre, being a sea-port, attracting as it does a little below one-half of the country's sea-borne trade, with jute products forming the nucleus. The banks also have their head offices or important branches in Calcutta with experienced and senior executives to handle the business. All these contributory factors are mainly responsible for the tremendous part played by banks in the marketing process of the industry's products in world markets.

Warehousing and Marketing

A combination of circumstances, including the export character of jute fabrics, and the speculative and forward dealings, have been responsible for the growing importance of warehousing in the marketing of the industry's products. Besides public warehouses, all jute mills have their own godowns, and many important marketing functionaries also provide their own varied and extensive warehousing facilities. Furthermore, a network of warehouses has also been provided by the Port of Calcutta. These warehouses are utilized for the storage of goods, pending their removal or shipment to foreign countries. A visitor to Calcutta, while turning into Strand Road from the Calcutta end of Howrah Bridge, cannot fail to notice these massive warehouses.

The prevailing practice in Calcutta is that mill godowns warehouse the manufactured products, already sold, for a specific period, whereafter the shippers or exporters warehouse the products in public warehouses, pending the shipment of these products. Finally, the port warehouses are used pending actual shipment of products to foreign markets. The number and capacity of these warehouses, belonging to different categories of people are, however, not commensurate with the marketing requirements of this highly organized export industry. There is no gainsaying the fact that nowhere is the need greater for warehousing facilities than in the jute industry, and nowhere can they be maintained on a more profitable basis than in this industry. It is gratifying therefore that the Warehousing Corporation for West Bengal has undertaken an ambitious programme of providing extensive warehousing facilities.

Conclusion

In the increasingly competitive world of the buyers' market, exports have to be supported, nursed and fostered. The Indian jute mill industry affords the best example of an overwhelmingly export industry, which must display a capacity for resilience which may help it in continuing to occupy pride of place in the national economy as the country's largest foreign exchange earner.

Purely from the point of view of the export trade, which calls for vigorous efforts to be boosted up through an intensive programme of market research and area surveys, etc., this Indian industry has done extremely well. Today, however, the industry is producing only 53 per cent of the world output, no longer holding near-monopolistic conditions. The percentage of the Indian share has thus fallen because the industry's marketing capacity became limited by the shortage of raw material immediately after Partition. Largely owing to the heavy export duties which were imposed by the Government of India, France multiplied her production ten times between the years 1948-63, whereas Belgium more than tripled her production during the same period. France has her own well-developed jute industry, which produces per year about 86,000 tons in spun products and 67,000 tons in woven products. So far as Belgium is concerned, she is

of the Indian coalfields clay ironstone is generally present, whilst the most important hematite deposits containing the highest quality iron ore are to be found in the iron belt of Singhbhum and Orissa. An even more important consideration is that India also possesses all the materials, such as coking coal, fluxes, modifying metals and refractory materials, necessary as auxiliaries for the manufacture of steel and steel products. Unfortunately, however, the progress of the Indian iron and steel industry has not been consonant with the country's natural resources, or in keeping with the fast-expanding home market. The resources, though abundant, remained largely unexploited, since an alien Government could not be expected to grapple with the root causes of industrial development by hastening the growth of this basic industry.

Production and Market Expansion

Until quite recently, the Indian iron and steel industry was more or less stagnant. The production of steel ingots in India in 1937 was 930,000 metric tons. This increased to 1·314 million metric tons in 1946, i.e. by about 45 per cent. During the period 1946-52, there was a further increase of 300,000 metric tons to 1·6 million metric tons, i.e. by another 22 per cent. Yet our share in the total world production of steel during the period remained practically constant at 0·9 per cent.

It is only after the attainment of political independence that the inhibiting conditions in this industry were removed. Although Free India started off with a built-in handicap, she realized that steel is the starting point of real industrial growth. She launched a planned economy on 1st April, 1951, and created a suitable climate for the speedier growth of the national economy. Though during the First Five-Year Plan (1951-56) there was no significant improvement in this direction, the Second Five-Year Plan (1956-61) brought this industry to the fore and the Third Five-Year Plan (1961-66) accorded it pride of place by comprehending that steel production is basic to expansion of the light and consumer goods industries. It was realized by planners in India that this industry is the bed-rock upon which our industrial structure must be rapidly built up. The Planning Commission rightly accorded it the topmost priority in the scheme of overall

industrialization by assigning a target of 6 million tons of steel by 1960-61 and 10·2 million tons by 1965-66. Says the Commission : ' The expansion of the iron and steel industry has obviously the highest priority since, more than any other industrial product, the levels of production of these materials determine the tempo of progress of the economy as a whole.'² The realization of this fact led the Commission to accord overriding claim to the needs of this industry under the Third Plan. ' The overall investment required for the public sector steel development programme included in the Third Plan is estimated at Rs. 525 crores.'³ Be that as it may, the Planning Commission is keen that India should achieve in a few years the role of development which took other countries decades to achieve. Indian planning has thus entered its spacious and imaginative phase.

The expansion of the market will have to be commensurate with such a phenomenal growth in the production of steel, so that increased production is swiftly absorbed in markets, both at home and abroad, though for some time to come, the pace of industrialization will keep indigenous demand for steel well ahead of supply.

Indian steel was, till recently, the cheapest in the world, but this is no longer the case as the following comparison of foreign and Indian prices shows :⁴

Comparison of foreign prices (landed duty paid) with Indian tested prices (foreign prices as on 31 March 1963)

	INDIA	U.K.	BELGIUM	JAPAN	U.S.A.
	Rs.	Rs.	Rs.	Rs.	Rs.
Bars . . .	655	659/687	490	514	886
Structurals . . .	675	737/774	593	699	936
Plates . . .	774	702	539	631	834
Black Sheets . . .	842	824/853	667	745	785
G. C. Sheets (24 ga)	910	970/1,066	882	894	1,130

Because of the fact that Indian steel is no longer cheaper than the imported steel, the problem of marketing will manifest itself at every stage. Obviously, a greater effort will be required

² See The Second Five-Year Plan, 1956, p. 394.

³ See The Third Five-Year Plan, 1961, p. 467.

⁴ Courtesy : Tata Iron and Steel Co. Ltd.

for finding suitable export markets for our steel. It is necessary to emphasize the fact that our likely markets are mostly in the countries of South-East Asia and the Middle East, few of whom are in a position to consume surplus steel as such. Besides, Europe and Japan, with decades of experience behind them, are strongly established in these markets. It will be extremely difficult to gain supremacy in these markets. Then, again, Chinese competition will also grow rapidly in these markets. For these and several other reasons, the marketing problem will make itself felt. Thus it is only by employing effective techniques of marketing and by undertaking sales promotion drives and market research, that we can enter foreign markets on a fairly large scale.

Tatas and the Beginnings of the Modern Industry

Thousands of years before Christ, swords, lances, sabres and other types of war materials, as also civilian tools and products made of iron, were marketed by Indians in foreign lands. Iron and steel products constituted items of trade between India and the Middle East, the route lying through Persia and Iraq. The famous Damascus steel is said to have been of Indian origin. But by present-day standards the volume of trade during ancient times was insignificant.

The beginnings of the modern industry are associated with the name of the late Jamshedji Naosherwanji Tata, who realized the opportunity which had presented itself. He was the first industrial magnate in modern times to have visualized that the basis of India's industrial development was the iron and steel industry, whose products could again be utilized as raw materials for other industries. After an extensive tour of Great Britain and America in 1902, he brought out from America a consulting mining and metallurgical engineer, C. M. Weld, to start his iron and steel project. After the death of J. N. Tata in Germany in 1904, his sons and associates completed the project at Sakchi (now called Jamshedpur) in 1907. The project at Jamshedpur, about midway between the Singhbhum ore and the Jharia coal, commenced production in 1911, and has since remained the largest unit in India. This is the biggest iron and steel plant in Asia, and one of the largest self-contained units in the world. Its story is a saga of human endeavour against tremendous odds and hurdles.

Tatas and the Indian Market

Before the formation of the Tata Iron and Steel Company, we used to import all our market requirements of steel from abroad ; the chief suppliers being the U.K., Germany, and Belgium. TISCO came into the Indian market with heavy structural items like beams, channels, bridgework, galvanized and plain sheets, and several other products. Initially, Tatas faced difficulties in marketing their products in the home market after the First World War.

It is somewhat astonishing to note in retrospect that TISCO grew at a critical time, when the leading steel manufacturing countries of the world suddenly found themselves faced with huge surpluses which had to find markets abroad. The Indian market was flooded with Continental and American steel, threatening the nascent industry with virtual extinction. At this time the benefits of protection under the scheme of discriminating protection stood the country in good stead. Soon the home consumer found that the Tata products compared favourably with those of foreign origin. As such, the Company registered substantial progress. Its steel output stood at 156,000 tons in 1923 which rose to 530,000 tons by 1927. It reached 834,000 tons in 1934. The imports of steel suffered a drastic reduction from 75 per cent of the country's requirements in 1927-28 to about 38 per cent in 1932.⁵ It is thus clear that, with the appearance of TISCO on the industrial scene, its products steadily captured the Indian market. Today, TISCO's plant is equipped for the production of two million tons of steel. Making allowance for a loss of 25 per cent during the process, it yields about 1,500,000 tons of finished steel. The break-up of their products is as under :

FINISHED STEEL CAPACITY	Tons
Heavy rails and structurals	245,000
Crossing sleepers	30,000
Sleeper bars	50,000
Medium and light structurals	297,000
Rounds and flats	144,000
Wheels, tyres and axles	30,000
Plates	100,000
Sheets	150,000
Skelp and strips	148,000
Blooms for forging	10,000
Semis for re-rollers	296,000
Total	1,500,000

⁵ Phiroz H. Kutar, *India's Steel Industry: A Survey*, 1959, p. 6.

TISCO's production of saleable steel in 1961-62, at 1,318,000 metric tons, was about 87 per cent of the target of 1.5 million tons, the shortage being due to the poor quality of raw materials, specially the high ash content of the coking coal mixture and transport difficulties. But it is looking forward to augmenting its capacity within the next few years. It has offered to step up its output from 2 to 3 million tons, and it has received the approval of the Government of India in this regard.

Achievements of the Indian Iron and Steel Company

As a result of a consistently increasing demand in the home market, another company, known as the Indian Iron and Steel Company, was started in 1918 at Hirapur. This Company was floated for the purpose of manufacturing pig iron, by-product coke, coal tar products, sulphate of ammonia and sulphuric acid. The Company soon began turning out pig iron, which found a large market in the many fabricating industries in the country itself. Export markets, like the British and the Japanese, were also developed for the Company's pig iron. To further the marketing strength of the intermediate products, the Company had contemplated the manufacture of steel from its very inception, but even before its plans were ready, the Steel Corporation of Bengal was floated in 1937. This assured the Indian Iron and Steel Company of its market.

A marketing arrangement was arrived at between the two companies. These two companies merged into one on 1st January, 1953, with a view not only to securing economies in the costs of production but also in ensuring orderly market development. It has thus become a completely integrated iron and steel plant. The integration scheme brought about a sizeable advantage to the new Company from the marketing point of view, inasmuch as IISCO's pig iron was assured of a guaranteed market, and SCOB's steel manufacturing operations were assured of continuous supply of pig iron as hot metal. The integration thus enhanced the marketing strength of both the intermediate products and the manufactured goods. IISCO now has a production capacity of one million tons of steel. After allowing for necessary losses, it is producing 10,000 tons of finished steel, and marketing it in the home

market just like TISCO. It suffers from the same operational difficulties as Tatas, namely, low quality raw materials, high ash contents of coal and inadequate transport facilities. IISCO's proposal to increase its output from 1 million to 1.3 million tons as the first phase of 6-lakh ton expansion, has been approved by the Government of India.

The Mysore Iron and Steel Works

The Mysore Works were started in 1923 under the aegis of the Government of Mysore in picturesque surroundings on the bank of the river Bhadravati. Though it was the smallest unit, yet it added another plant to the Indian iron and steel industry. The markets for its products were sought both internally and externally. When the Indian Tariff Board produced its report on the pig iron industry in 1930, it was mentioned that there was an overseas market for Mysore pig iron to the extent of 8,000 tons. Regarding its internal market, it was circumscribed to a limited area comprising Madras, the Southern Mahratta country, and, to some extent, Bombay according to the advantage to be derived from freight.

Realizing all these limitations in finding suitable markets for its intermediate products at home and abroad, the Mysore Works added a steel plant in 1934, and thus the Works became a composite one. The Mysore plant, whose productive apparatus has been improved and enlarged a great deal recently, has also been modernized. The Mysore Government in collaboration with the Government of India has increased the steel output at Bhadravati from 45,000 to 60,000 tons annually, the value of production being Rs. 75 lakhs. It is also planned to bring about the conversion of the Bhadravati plant into a special alloy steel plant with the help of the well-known Austrian firm of Messrs. Bohler Brothers. Messrs. Bohler Brothers of Austria have agreed to provide technical know-how besides making available their patents in the field of alloy and special steels. The first stage of the expansion programme provides for a production of 38,000 tons of mild steel and 42,000 tons of alloy steels. The second stage of the programme envisages that the alloy and special steel production would go up to 70,000 tons. 'The expansion programme of the Mysore Iron and Steel Works comprises

mainly the spill-over expenditure on the ferro-silicon plant and provision for steel making by the L.D. process and for a light structural mill.⁶ The same is being done at present. The plant has already contributed its quota in market development, particularly in the South. It is also looking forward to rapid expansion and modernization to meet the diversified needs of the Indian market in general and the regional market of the South in particular.

Planned Expansion of New Steel Plants in the Context of a Growing Market

Thanks to the Planning Commission, a new chapter was added to India's industrial structure by the commissioning of three steel plants in the public sector, namely, (1) Rourkela, (2) Bhilai, and (3) Durgapur, at an aggregate cost of Rs. 605 crores, with Rourkela taking the largest quota of Rs. 219 crores, the next being Bhilai with Rs. 201 crores, and the last Durgapur with Rs. 185 crores. India's late President, Dr. Rajendra Prasad, inaugurated the Rourkela and the Bhilai blast furnaces on 3rd and 4th February, 1959 respectively. This inauguration marks a landmark in the progressive widening of the public sector, representing the dynamic urge of the country to forge ahead in pursuance of the socialist goal.

The construction of a new integrated steel plant at Rourkela in Orissa, 275 miles west of Calcutta on the main Bombay-Calcutta Railway line, with an initial capacity of half-a-million tons of steel ingots, was included in India's First Five-Year Plan in terms of the contractual undertaking between the Government of India and the German combine of Krupp and Demag. A rapid survey of the market requirements was again made in 1954, and it was then estimated that India would need 6 million tons of ingot steel by 1960. It was, therefore, thought expedient to expand the plant's capacity to one million tons. The Rourkela plant is capable of producing one million metric tons of ingot steel. It is designed to manufacture three-fourths of its steel by the Linszer-Dussenstahl (L.D.) process, which is one of the latest processes of steel-making so far adopted in the world. It is a very modern

⁶ See The Third Five-Year Plan, 1961, p. 467.

mill which has begun to turn out a wide range of products on the following basis :

(i) Wide heavy plates 3/16" thick and above—maximum width 110"	170,000 tons
Narrow heavy plates 3/16" thick and above—in widths below 60"	30,000 „
Total heavy plates	200,000 tons
(ii) Hot rolled sheets and strips in widths 60" and below and in thickness varying from 16 gauge to 3/16"	300,000 „
(iii) Cold rolled sheets and strips 60" and below and in thickness varying from 29 gauge to 12 gauge	170,000 „
(iv) Tin plates—30 to 34 gauge	50,000 „
Total	720,000 tons

This plant is designed to produce flat products such as plates, sheets, strips and tin plates. Its manufactured products started selling in the home and foreign markets by the end of 1959. It will be the first plant in India to manufacture transformer and dynamo sheets for electro-industries. Its layout is such that the production capacity can easily be stepped up to make its due contribution to India's economic development.

Following an agreement for a loan of DM 450 millions, i.e. Rs. 55 crores from West Germany in April 1963, payable in 20 years with a repayment grace period of five years, carrying interests at $5\frac{3}{4}$ per cent outside the Aid India Club arrangement, the plant is being expanded from its present capacity of 1 million ingot tons to 1.8 million tons. The programme of expansion will be carried out by the same nucleus of German firms which were responsible for deliveries and erection under its first stage construction programme. The total cost of the new programme, including civil works and domestically manufactured deliveries, is estimated at Rs. 120 crores. This plant, notwithstanding initial difficulties, is perhaps the most outstanding symbol of Indo-German partnership which has made use of the technical expertise of the West German technicians in our defence production, including armour plates.

The Bhilai steel project is the next plant in the public sector which has been commissioned with the technical collaboration of the Soviet Union. Situated in the district of Drug in Madhya Pradesh, 156 miles from Nagpur, 539 miles west of Calcutta and 685 miles away from Bombay on the Bombay-Calcutta line, it is planned to produce, in the first instance, one million tons of ingot steel. The general pattern of products manufactured annually in Bhilai is detailed below :

(i) Rails (standard gauge)	100,000 tons
(ii) Rails (narrow gauge)	10,000 "
(iii) Heavy structurals	284,000 "
(iv) Sleeper bars and crossing sleepers	90,000 "
(v) Rounds and squares	121,000 "
(vi) Flats	15,000 "
(vii) Billets	150,000 "
Total	777,000 tons

The Bhilai plant is built on Russian designs, based on the most modern steel-making technology with implementation of automation. The iron ore supplies to this plant from Dhalli-Rajhara will give added strength to the plant ; these ores reputedly contain the world's greatest reserves of hematite. Its products began to appear at home and abroad by the end of 1959. The total exports from Bhilai during 1962-63 amounted to Rs. 47,39,000. Its products had gone mainly to Japan, the United Kingdom, Belgium, Czechoslovakia and Pakistan. Efforts are afoot to export large quantities of its products to foreign markets.

The third steel plant, Durgapur, is at present the youngest in the family. It was put up by a consortium of thirteen independent British firms, known as the Indian Steelworks Construction Company. Situated near the Oyaria railway station in the Burdwan district of West Bengal on the Calcutta-Delhi line, at a distance of 110 miles from Calcutta, the plant is designed to produce one million tons of steel ingots which are being rolled into medium structurals, wheels, tyres and axles, railway sleepers and billets. Work on the plant started in December 1956, and it commenced steel production in April 1960. Its manufactured products, too, have sought both home and foreign markets. This plant is also designed in such a way that it can step up its production in future.

The three steel plants in the public sector, which are capable of further expansion, will be allowed to raise their rated capacity as time goes on. The rated capacity of Bhilai will eventually be raised to 3·5 million tons, of Durgapur to 3 million tons and of Rourkela to 2·5 million tons, thus the aggregate production from these plants will be nearly 50 per cent of the total by the end of the Fourth Five-Year Plan.

All the three steel plants in the public sector are run and controlled by a body known as Hindustan Steel Limited (HSL). The idea is to make of Hindustan Steel Limited a model organization for other public enterprises. Towards this end, the HSL has been reorganized with effect from 1st April, 1963, and its Chairman, as the chief executive, has become responsible for its administration, subject to the authority of the Board of Directors which includes, among others, the general managers of the three steel plants. These plants have been given more autonomy inasmuch as there has been effected decentralization of powers not only to the general managers but from them to the various levels of the plants.

One tends to agree with the criticism of the Estimates Committee of the Lok Sabha that decisions taken by the Government from time to time to set up the steel plants in the country have not been characterized by forethought and adequate planning, particularly as there had existed plans as early as 1948 for setting up steel plants when a great deal of unnecessary expenditure could have been saved. Even so, one cannot fail to be impressed by the fact that these plants have been completed. This in itself is a spectacular achievement of which the country can be legitimately proud. One cannot appreciate the real thrill of the great work now in progress connected with the changing pattern of the Indian economy, unless one goes round the country and sees the various projects with one's own eyes. These three steel plants constitute an epoch-making event in the history of the Indian iron and steel industry, symbolizing as they do the unprecedented advance the country has made in the direction of concentrated industrialization.

Production Programme and Marketing Arrangement

The production programme of the three steel plants has been chalked out in such a way that their products do not compete

among themselves. The sale of steel products by these public sector steel plants is governed by the provisions of the Iron and Steel (Control) Order, 1956. Their products are sold to consumers either directly or through controlled and registered stockists in the home market. The marketing of their products in foreign countries is channellized under a single selling agency. Whereas the marketing procedure in the home market is the same as for the other plants in the private sector, there is a slight variation in export marketing. The three plants of the public sector have not been given a privileged position in the realm of marketing. Shri C. Subramaniam, Minister of Steel and Heavy Industries, assured the Lok Sabha on 15th April, 1963, while replying to the debates on the demands for grants of his Ministry, that the policy of having common prices for steel produced both in the public and private sectors would be continued. That is why a spirit of healthy competition is permeating the two sectors of the Indian iron and steel industry.

Plan Targets : An Appraisal

In any programme of concentrated industrialization, the development of the iron and steel industry has to be regarded as a sort of barometer of a country's industrial progress. Indian planners have done well by giving weightage to the industry in the scheme of large-scale industrialization. The progress towards the Second Plan target of 6 million tons of steel ingots (4.5 million tons of finished steel), as visualized by the planners, was impeded by a variety of factors. Production in 1960-61, the last year of the Second Plan, was only 2.4 million tons, leaving a shortfall of as much as 2.1 million tons. Even so, the target for the Third Five-Year Plan ending in 1965-66 was set at 10.2 million tons of steel ingots (7.5 million tons of finished steel). This too appears unlikely to be attained. Shri C. Subramaniam, Minister of Steel and Heavy Industries, said in the Lok Sabha on 15th April, 1963, that it was his hope that it would be possible to reach 9 million tons of steel ingots during the first year of the Fourth Plan. Nevertheless, he announced that the target for the Fourth Plan ending in 1970-71 would be 18 to 19 million tons.

The share of the private sector in the steel target, according to the Third Five-Year Plan, is of the order of 3.2 million tons

of steel ingots. The existing installed capacity of the Tata Iron and Steel and Indian Iron and Steel Companies is 3 million tons. The balance 0·2 million tons is expected to come from scrap-based electric furnaces which will augment the supply of billets to re-rollers. About one million tons of billets are to be supplied to re-rolling mills by the main producers at the end of the Third Plan. Regarding saleable pig iron, the output from the private sector is fixed at about 0·3 million tons. As regards the public sector, new developments included in the Plan comprise the expansion of the Bhilai, Durgapur and Rourkela steel plants and of the Mysore Iron and Steel Works besides the establishment of a new steel plant at Bokaro. The Plan also includes a project for a pig iron plant based on techniques of low shaft blast furnace. There is, however, the Neyveli pig iron project. The project represents an intermediate stage towards the establishment of a steel plant of about 0·5 million tons in the Southern region. The steel plant at Bokaro is being initially planned for a capacity of 1·5 million tons of steel ingots instead of one million tons as envisaged in the Dastur Report. This is scheduled to be completed within the Third Plan at an aggregate cost of Rs. 300 crores with a rated capacity of 4 million tons by 1970-71. It may be noted here that the Third Plan originally planned the Bokaro plant for a capacity of 2 million tons of steel ingots in two phases, the first phase of development was intended to be of 1 million tons, but later it was thought more economical to start with a rated capacity of 1·5 million tons and develop its rated capacity of 4 million tons by 1970-71.

It is expected to specialize in the production of different types of flat products. In July 1960, it was decided to establish at Durgapur an alloy and tool steel plant of 48,000 tons annual output, with built-in capacity in certain primary units, so that it would be rapidly expanded to 100,000 tons. The Ordnance factories of the Ministry of Defence are expected to function as a second source of supply of alloy steels in the public sector. The rest of the development in this industry is envisaged in the private sector.

The programme of expansion of Bhilai is being implemented according to schedule. By 1965, the expansion programme of

this plant from 1.3 million tons to 2.5 million tons will have been completed. With regard to Rourkela and Durgapur, however, the expansion programmes are likely to remain behind schedule. They are expected to contribute the increased production only by 1966-67. So there will be a shortfall in the Third-Plan target. The proposed fourth steel plant at Bokaro without American aid, according to the latest reports, is being planned on the most advanced technology. The bottlenecks with regard to raw materials, transport and management, etc. are being tackled and overcome, so that the plant may not run into avoidable difficulties. The Government of India's decision to set up a new company to look after the construction of the Bokaro steel plant will be very welcome in this context. This has since been done.

Then, again, the Fourth-Plan target of 18 to 19 million tons of steel ingots would involve expansion of existing units both in the public and private sectors, besides establishment of new units in the public sector. The Industrial Policy Resolution of 1956 precludes the starting of new units by the private sector in a schedule of seventeen basic and key industries, of which steel is one. Attention is being given to the possibilities of development of steel production in areas other than the north-eastern part of the country where it is now heavily concentrated for promoting the balanced growth of the industry through locational dynamics. The Government is exploring two regions in the South for its wider dispersal over the country. One is the Bailadilla-Visakhapatnam region and the other the Bellary-Hospet-Goa region, where investigations are being made into the possibilities of locating steel plants in coastal areas, so that it would be possible to take advantage of imported high-grade coking coal. Furthermore, reports indicate that there are possibilities of starting a steel plant in Kerala as well in view of the availability of ilmenite sands. Taken as a whole, in spite of the failure to attain the planned targets, it is evident that the Indian iron and steel industry is in the midst of a historic process of development that will transform the very face of the country in the next few years.

It is estimated that for 1962-63, the gross sale value of the pig iron and finished steel of the three public sector steel plants (including by-product chemicals) amounted to Rs. 129 crores.

This represents the savings of foreign exchange that would otherwise have had to be spent on importing these products. As time goes on, not only will the amount of such savings grow continuously, but what is more important we shall earn considerable foreign exchange through the export of Indian steel and steel products in the world markets. Apart from this, the expanding industry makes possible an accelerated rate of industrial advance for the economy as a whole at a time when India is seeking to undergo a dynamic phase of economic growth in order to correct the structural imbalances for attaining the take-off stage within the shortest possible time, say ten years.

Thus, for a variety of reasons, the three steel plants, set up recently in the public sector, and the commissioning of the Bokaro steel plant under the Third Plan together with the establishment of a few more plants under the Third and subsequent Plans, symbolize the great changes in the Indian economy. If these plans are fulfilled, they must surely rank amongst the grandest and will add to India's stature as an industrial country. India will soon cease to be an under-developed country. She will have a self-generating economy which will be propelled by its own momentum. Evidently, she can attain industrial greatness by proving herself capable of modern tendencies in marketing, for increased industrial production is indissolubly linked with marketing. In his *Industry and Trade*, Marshall rightly pointed out that until goods are marketed, their production is seldom of much avail in the modern world.⁷ To sustain a high level of industrial production, efficient means of marketing must necessarily be employed.

Standardization

In any scheme of efficient marketing, standardization occupies a predominant position. Standardization is an inevitable concomitant of mechanization. It means setting up standards, by which measurement, constants, quality and performance may be gauged. When based on sound engineering principles and practices, standards reduce the cost of production through longer runs, and cut down on marketing expenses through greater simplification.

⁷ Marshall, *Industry and Trade*, 1909, p. 184.

though they were less rampant than under the first stage. The third stage of the control machinery was initiated on 1st April, 1946. This stage of control still continues, though in a somewhat modified form. The machinery allows for only one retention price, payable to producers for different categories of steel on the basis of the recommendations of the Tariff Commission. *En passant*, it may be added here that the recommendations of the Tariff Commission, which are confined to the prices of the base sections in each category have been governed, however, by a series of commercial considerations. Until its report of April 1962, the main objective of the pricing policy followed by the Commission was to render it possible for TISCO and IISCO to earn profits large enough to finance part of the expenditure on their approved expansion schemes, after earning a specified rate of return on the gross block capital. This underwent a change in 1962 pursuant to the Government's directive. Under the changed conditions, the inclusion of a development element in price fixation is no longer considered necessary. The prices that have been recommended by the Commission in its latest reports are now based on an examination of the works costs and on an allowance for overheads. This is an improvement over the past practice which will ultimately equate the retention price with what an economist calls the economic price.

Control over iron, steel and scrap is exercised through the following two orders :

- (1) The Iron and Steel (Control) Order, 1936.
- (2) The Iron and Steel (Scrap Control) Order.

The Iron and Steel Controller, with his headquarters at Calcutta, is the administrative authority. He is entrusted with the immediate responsibility of running the control system. He directs all the registered producers of steel to manufacture products in accordance with the orders issued in this regard. His office receives no less than 50,000 indents a year, each of which has to be scrutinized and checked, and against which an equal number of 'planning notes' are issued. The total quantity of steel to be produced is estimated and fixed three months in advance of actual rolling programme. In the same way, an assessment of the likely demands of the

different categories of users and consumers is made under the following heads, and in accordance with their requirements :

1. Ministry of Defence ;
2. Ministry of Railways ;
3. Government Development Schemes ;
4. Government Sponsored Housing Schemes ;
5. Steel Processing Industries ;
6. Industrial Maintenance and Packing ;
7. Export ;
8. Emergency Reserve ;
9. Agricultural Requirements ;
10. General Public in the States ;
11. Displaced Fabricators ;
12. Harijans ; and
13. Cottage Industries.

In addition to the above, there are a number of co-ordinating authorities for various projects. For example, there is the Central Water and Power Commission, charged with the responsibility of recommending the requirements of irrigation and waterways ; the Textile Commissioner, who is responsible for the cotton textile mills ; the Directorate-General of Technical Development, which sponsors the needs of the engineering and non-engineering industries ; and the Iron and Steel Controller, who is responsible for recommending the quota for those industries which are not included anywhere else in the specified list. When demands under each group and sub-group are registered, the Secretary of the Ministry of Steel and Heavy Industries (under which the Iron and Steel Control Organization functions since 1st April, 1962) as the Priority Authority, holds, as Chairman, a conference of the representatives of the various interests, and arrives at certain decisions. The Iron and Steel Controller then makes allotments by issuing quota certificates to specific allottees, on the recommendations of the different co-ordinating authorities.

A significant characteristic of the present distribution mechanism is that the bulk of steel and steel products is marketed direct from the manufacturer to the consumer. There is, however, a restriction imposed by the Iron and Steel Controller that, in the case of direct orders placed on the main producers,

the minimum tonnage of each section asked for, of certain categories, should be at least 10 tons and, again, the total quantity of the order at least a wagon load of 20 tons. This keeps out the small consumers from resorting to direct purchases from the manufacturers. It has been estimated that of the total despatches of steel from the producers, one-third goes directly to various government departments and enterprises, another one-third is routed directly to private consumers, and the remainder is despatched to stockists.

Because of a high degree of concentration of ownership and control of the industry, both horizontally and vertically, this system of marketing has been rendered possible. Stockists who handle only one-third of the total production are of two types. They are controlled stockists and registered stockists. They, as dealers of steel and steel products, carry on a part of marketing on their own. But owing to limited supplies available for distribution through this channel of marketing, these dealers have functioned merely as commission agents, so to say. They simply pass on the available supplies to the consumers. As a result, they have not taken the trouble of developing adequate warehousing facilities. Even the controlled stockists do not bother to develop the clientele system on well-established principles of marketing.

In India, there are only 230 controlled stockists. But registered stockists are too many in all the Indian States, running precisely into 1,935. The element of patronage in the appointment of registered stockists has led to the inclusion of such dealers who have neither the financial resources nor the requisite qualifications for discharging the marketing functions in an efficient manner. In an industry such as steel, in which standardized bulk production by highspeed mills is a necessary condition for the efficient use of installed capacity, and the time interval between rolling different sections is often considerable, these dealers can perform the task of marketing only to the extent of storage capacity for loading and unloading, etc. Even the controlled stockists have failed to perform their legitimate functions in the domain of marketing such as those relating to mechanical facilities for shearing, cutting and drilling, near the centres of consumption for adjusting standard sections and sizes required by individual consumers. They

too, function on a hand-to-mouth basis and do not think it necessary to instal equipment for such mechanical facilities to prove their usefulness as vital marketing links. It is time that the marketing system is streamlined to further the interests of the industry in a kind of palimpsest, particularly as the industry's expansion on a vast scale is under way.

The prices at which controlled and registered stockists are to sell the steel are statutorily fixed. There is, however, no means of checking that the actual prices realized by them conform to those fixed statutorily. In actual practice, the prices charged to the final consumers are, in the case of scarcer categories and sections, nearer to those prevailing in the black market. Since it is the small consumers who are more dependent on these dealers for their supplies, the incidence of the so-called free market prices falls more heavily on them than on the larger consumers who get the bulk of their requirements directly from the manufacturers.

Generally, the small consumers are able to get only about one-quarter or less of their supplies at the controlled prices, while the larger consumers obtain as much as two-thirds to three-fourths at these prices. The latter rely only marginally on the free market. It seems clear that, under the present system of marketing, the small consumer of steel and steel products does not benefit to the extent that he is believed to be. On the contrary, he is often mulcted.

At present, there is a much larger number of traders associated with the marketing of steel and steel products than is legally recognized as 'controlled' and 'registered' stockists. Recent increases in the production of steel and steel goods by the steel plants both in the public and private sectors, have necessitated larger holdings of stocks than before; but the recognized stockists do not possess the required holding capacity. This has resulted in the creation of a large number of other stockists who obtain steel and steel products from the recognized stockists, thereby developing black marketing and other evils in the marketing system.

We find that a complicated network of the marketing system has developed which does not correspond to the officially recognized network of agencies. It is a matter of satisfaction that the Iron and Steel Controller has issued orders prohibiting

marketing operations by any one else except those recognized, namely, controlled and registered stockists. It is to be hoped that this will go a long way in streamlining the marketing system.

We may now examine the control machinery for scrap. The Scrap Control Order is exercised over the distribution of raisings of scrap from the main producers of iron and steel, from the Railway Administration, as also from many other sources, and prices are statutorily fixed for the different categories of scrap. Clauses 3 and 4 of this Order are particularly important, as they deal with the acquisition and disposal of scrap. Whereas clause 3 is meant for the acquisition of scrap from different sources, clause 4 regulates the disposal of scrap.

The distribution system, briefly stated, envisages the allotment of a scrap quota, including defectives and bulk production cuttings, to different States. The State Government becomes the controlling agency. Applications for acquiring scrap have to be addressed to the State Government concerned, and supplies against permits issued by the State Government are effected through controlled scrap merchants. Here, too, the marketing machinery has not been working well. This is quite understandable, as the sources of scrap are numerous. It is not easy in this sphere to apply the control rigidly. That is why the Government took the decision early in 1963 to decontrol re-rollable scrap. There is no doubt that this decision will prove beneficial to the industry in the long run.

Gradual De-control of Indian Steel and Steel Products

The Government of India have started the process of relaxing the control machinery, which was but natural in view of the disappearance of the 'waiting market' to a large extent. As a first step, control on the distribution of heavy structurals, rails, and certain items of scrap, was relaxed between 1949 and 1955. But the Second Five-Year Plan generated a sharp increase in the demand for steel, resulting in the reimposition of control over the 'relaxed categories' towards the end of 1958. After 1960, however, control over all except a few categories was once again relaxed. The success of the experiment led to the further relaxation of the control over many more manufactured products, including bars, rods and light structurals. It will not be long before competitive conditions

are restored in this industry. Already the Government has begun to think in the direction of relaxing further the distribution system. It appears that sooner or later there will be a free market economy in so far as the manufactured products of the iron and steel industry are concerned.

Following the appointment of the Raj Committee in September 1962, and the submission of its final report in October 1963 to the Government of India favouring the relaxation of the control system in a rational way so as to bring about free market economy in the long run, efforts are being made to introduce decontrol measures on distribution of steel and steel products, including scrap. A controlled economy under which the industry had laboured for two-and-a-half decades, not only prevented it from having an efficient marketing organization but also created an oligopolistic situation in specific markets. The time has come when greater and greater attention must needs be paid to the marketing of the industry's products.

As the public sector controls the major part of production in this industry, Hindustan Steel Limited as the controlling authority, should open special stockyards or stock depots in selected centres like those of the private steel plants. A certain proportion of the supplies of the main categories and sections depending on market conditions should be made available to these stockyards by the Iron and Steel Controller out of each quarter's rolling programme. These stockyards should perform three-fold functions, namely : (1) regulate conditions in the free market through stock operations ; (2) stock, and supply to consumers, particularly ' priority ' users, uncommon and matching sections not readily available either from the producers or from the free market ; and (3) make available supplies of steel and steel products in regions where, either due to inadequacy of resources among private traders or otherwise, acute shortages persist. Further, all imports of steel and steel products should be made available to these stockyards or stock depots, and they should be assigned the task of marketing in some regulated manner. And restrictions on the import of special steel for industrial purposes should be relaxed so long as the indigenous industry is not able to produce such specialized products inside the country. It is necessary that suitable

steps should be taken to develop the marketing system on *scientific lines*.

Conclusion

In conclusion, we must state that the Government of India have rightly quickened the speed and the tempo of the growth of this industry, for present conditions in the world do not give us a long lease of time, more particularly when Communist China is unpredictably poised against India. To raise India to the level of a modern industrialized country, centuries will have to be telescoped into decades, and decades into years. As a nation, we must not only plan this basic industry on an ambitious scale but also accomplish our planned targets, so that we may swim in the currents of modern life, and preserve our hard-won independence. Wise words were uttered by V. I. Lenin when he said : ' We shall economize on everything—on our clothing, diet, even on schools. We have to do this, because we know that if we do not establish heavy industries, we cannot build up any kind of industry at all, and without it, we shall perish as an independent country.'⁸ We can only become a great manufacturing nation if we make ourselves independent of other nations with regard to steel and steel products.

A stage has been reached now where the core, namely, that of changing the capital base of our economy, must be tackled vigorously, if it is really our intention to release forces favourable to the speedier growth of Indian industrialization. While we should be proud of our recent achievements in this direction, we must never allow ourselves to forget that still greater efforts are needed for the future. This consciousness and confidence in the future are our great assets.

This industry is the core from which all industrial progress must spring in the difficult years that lie ahead. It has tremendous advantages : rich and extensive ore in the bowels of our country, an inexhaustible market, and the economies of large-scale production. We are the most favoured country of the world. Prof. Norman J. G. Pounds rightly remarks : ' The prospects for the iron and steel industry in India are

⁸ J. C. Ghosh, *The National Planning Commission and Iron, Steel and Petroleum Industries*, Nagpur, 1953, p. 7.

incomparably better than in any other among the under-developed countries.⁹

The Indian industry is looking forward not only to satisfy the vast home market but it is keen to seek the international markets. Dr. P. S. Lokanathan forcefully observes : In considering the development of steel industry one has to take into account not only the home demand, but also the possibility of using steel as a strategic factor in the promotion of exports. It is frankly recognized that India's exports cannot be doubled and trebled by concentrating either on traditional items or on thinking of the development of light engineering goods. These would, of course, help. But I cannot think of any other way to increase exports than by developing a key export item like steel, whose output can be increased rapidly and for which there is also demand from outside the country. In fact, I consider that the easiest development, on a scale that will be quantitatively impressive, would be some of the things which it would not be too difficult to produce and which India can produce if she makes a major effort. Steel is one of the classic examples for such a possible effort.¹⁰ It appears that the export of steel and steel products would be the only way of making a substantial break-through in the world markets. Luckily, this industry's products are breaking into the world markets. There is no reason why steel should not become the giant of the Indian economy, provided the marketing problem of the industry's products is tackled effectively, particularly so when a swing from the sellers' to the buyers' market is in the offing, and may make itself felt within the course of the next few years, i.e. by the time the Indian iron and steel industry acquires sufficient production strength under the impact of developmental planning.

⁹ Prof. Norman J. G. Pounds, *The Geography of Iron and Steel*, London, 1959, p. 178.

¹⁰ See *Iron & Steel Review* (Rourkela Number), 1962, p. 276.

CHAPTER NINE

MARKETING OF INDIAN ENGINEERING GOODS

The Policy Determinants : A Two-Fold Approach in Developmental Planning

At a time when India is on the threshold of massive industrialization, a two-fold approach has to be adopted for the marketing of Indian engineering goods because of the close relationship and interdependence of the iron and steel industry and the engineering industries. Owing to prospects of increased supplies of pig iron, scrap and steel in the context of developmental planning, a progressive build-up of the Indian engineering industries is well within sight.

Indian pig iron, scrap and steel form the basic raw materials for the Indian engineering industries. Obviously, the raw materials for the engineering industries are drawn from the metallurgical industries, and therefore the marketing development of engineering industries is inescapably bound up with that of the metallurgical industries. Taken together, the engineering industries represent one of the major industries in the country, and can stand comparison with the country's cotton or jute textile industry. India has become the Asian supplier of engineering goods of all descriptions both for neighbouring markets and also for the home market which is ever on the increase.

The Tariff Board and the Diminutive Form of Engineering Industries

The engineering industries baffled the Tariff Board in 1925 when the Board tried to apply the term 'engineering' to the many goods produced at different places in the country on account of their diminutive form. Before the last war, only a few engineering goods were produced in the country, though these industries were started in India about a hundred years ago. In the initial stages, they were merely repair shops. It was only during World War II (1939-45) and in the immediate post-war years that these engineering industries developed by leaps and bounds. During the war, these industries sprung up like mushrooms all over the country, particularly in

West Bengal and the Punjab. These war-time gains in this sector of the Indian economy were consolidated in the post-war years because of boom conditions. The achievement of political independence on 15th August, 1947 released forces favourable to the accelerated growth of these engineering industries, thanks to the Planning Commission. The Commission assigned a vital role to the metallurgical industries which began to develop simultaneously both in the public and the private sectors in such a way that the two sectors have come to be regarded as complementary to each other.

Geographical Analysis

Although the engineering industries are scattered all over the country, West Bengal and the Punjab are the two States where these industries are highly concentrated. At present more than 60 per cent of the country's engineering industries are situated in West Bengal. Of these, more than 80 per cent are heavily concentrated in Howrah, within an area of five square miles with Belilios Road as the nucleus. In fact, Howrah, occupying pride of place in the country in this respect, may be called the Sheffield of India. Again, Jullundur in the Punjab may well be called the Birmingham of India. Elsewhere, these industries are widely scattered, contributing their quota to the regional economy of these States. Their contribution to the industrial development of these States cannot be overlooked.

Need for Dynamism

The success of the engineering industries rests on a cheap and plentiful supply of pig iron and steel which form the essential raw materials for engineering products of all kinds. Every effort should therefore be made to step up the supply of these basic raw materials so as to infuse some dynamism into the engineering industries. Unfortunately, the actual production of steel has so far fallen short of anticipated production under India's successive Five-Year Plans. For example, as against a target of 4.5 million tons of finished steel by the end of the Second Five-Year Plan, i.e. by March 1961, actual production reached only 2.4 million tons which, arithmetically speaking, meant a shortfall of 46.6 per cent of the planned target. The story has been repeated under the Third Five-Year Plan in the early stages of the Plan. In consequence,

the engineering industries, whose fate is inevitably linked up with that of the iron and steel industry, also suffered in performance in a number of cases. Shortage of iron and steel has been bedevilling the engineering industries. The Achilles' heel of the engineering industries has been the short supply of essential raw materials for all these years. It is therefore of immense importance that no effort should be spared to supply the basic needs of these industries at cheap prices for the progressive build-up of the Indian economy. It is very encouraging indeed that the Indian planners have accorded the highest priority to the Indian iron and steel industry and formulated the Fourth Five-Year Plan (1966-71) on a realistic basis. This will help the country's engineering industries which have a tremendous scope for development.

Capital Goods and Consumer Goods Industries : Classification

Broadly speaking, the engineering industries can be classified into capital goods industries and consumer goods industries. They can further be classified as heavy engineering industries, light engineering industries, and mechanical industries.¹ All classifications are necessarily arbitrary, and are made according to the purpose they serve. For the present discussion the adoption of the first classification seems preferable, i.e. capital goods industries and consumer goods industries.

The Growth and Development of Capital Goods Industries

Capital goods industries cover a wide variety of industrial goods and specialized equipment such as cotton textile machinery, jute textile machinery, sugar machinery, vegetable ghee machinery and paper mill machinery. These and many other capital goods and specialized machines are produced in the country and marketed successfully by employing the technique of 'high pressure salesmanship'. Progress has been so remarkable that India is currently producing capital goods valued at about Rs. 260 crores per year. She is looking forward to multiplying her production. Let us examine some

¹ The engineering industries have been classified into six categories by the Engineering Association of India. They are : (1) light electrical industries ; (2) light mechanical industries ; (3) heavy electrical industries ; (4) heavy engineering industries ; (5) heavy machinery building ; and (6) non-ferrous virgin metals (See *Indian Engineering Industries*, published by the Engineering Association of India, Calcutta, sixth edition, 1958, Introduction, p.ii).

of the concerns which have registered quick progress, and which have not looked back with respect to the marketing of their heavy equipment. The growth of these concerns has been made possible because their managements planned the marketing side of the products from all angles.

The progress of Texmaco in Belghariah (West Bengal) since its establishment in 1941 has been so phenomenal that it has successfully marketed textile machinery such as ring frames, drawing frames, carding engines, looms, and spare parts at comparatively low prices in the Indian market. In March 1961, it produced machines worth about Rs. 777.46 lakhs. Leading textile groups such as the Tata group, the Calico group, and even the Buckingham and Carnatic mills group, have begun using these ring frames and looms, etc. for augmenting the country's cotton textile production. Again, India Machinery Limited, Calcutta, which was formed in 1946, now manufactures jute machinery of all kinds. It has marketed its industrial products successfully to the Calcutta jute industry and has thus helped the Calcutta industry in its modernization programme. There is, however, another leading jute machine producing unit, known as the Britannia Engineering Company at Titaghur. The Britannia Engineering Company which belongs to the McLeod group, has been manufacturing machinery and spare parts for jute mills. It has succeeded in getting repeat orders from the Calcutta jute industry. Further, the Shahabad Factory of the Associated Cement Companies of India manufactures about 60 per cent of the machinery needed for cement manufacture for its own concerns.

The manufacture of vegetable ghee plants is carried on by half-a-dozen firms in the Bombay area. Then the manufacture of sugar mill machinery has also been developed. The production of machinery for sugar mills rose from Rs. 9.2 lakhs in 1951 to Rs. 419.0 lakhs in 1959-60.² We have also added paper mill plants. By 1963, there were 15 firms holding licences for the manufacture of paper machinery, though six of them had not commenced production till then. The important centres of production of paper mill plants are Titaghur (West Bengal), Jamshedpur (Bihar) and Rourkela

² T. R. Sharma and S. D. Singh Chauhan, *Indian Industries*, Agra, 1962, p.527.

(Orissa). Many more concerns have come forward—some with foreign collaboration—and have begun to manufacture numerous capital goods equipment which find large markets inside the country, thereby hastening the progress of industrial growth of the country.

New Phase of Industrial Development and Marketing Aid

These developments are a turning point in the history of the country's industrial progress. It is a new phase of the country's industrial development which has helped reduce our dependence on foreign capital goods and spare parts. Marketing is the only limiting factor in the manufacture of such capital goods and heavy equipment. Marketing needs dynamic and imaginative handling in the case of such heavy equipment, particularly as we have no traditions. Sometimes there exists unmerited prejudice against our industrial products. This can be removed through 'high pressure salesmanship' and efficient marketing. Clearly, concise marketing information on the benefits, uses and construction of such industrial goods and specialized equipment, backed by proper after-sales service, would go a long way towards capturing the home market.

Since this is a new phase of the country's industrial development which needs to be nursed assiduously, there is no gain-saying the fact that all efforts should be made so that diversified production can be built up to further the interests of the Indian economy. If the economy is not to be stultified, it is imperative that the manufacture of capital goods, accessories, agricultural implements and other equipment for all types of consumer goods industries and, for agriculture, should be given a great impetus. This will remove a certain lop-sidedness and help in the country's balanced development.

Peculiarities of International Marketing

Although we should concentrate on the home market for capital goods and accessories, we should nevertheless introduce our goods into the foreign markets as well, particularly into the Asian countries which are also eager to industrialize themselves. These foreign markets offer the keenest possible competition from Europe, Japan and America, though India has an edge over them because of the advantage of freight. Generally, these markets are situated about 2,000 miles away

from India, whereas European and American manufacturers have to export their industrial products to these markets from a distance of 4,000 miles and more. Japan is the only country which has a similar geographical advantage in these markets. Notwithstanding the advantage of freight, Indian manufacturers have to face competition in respect of prices and credit. Credit facilities, varying from three to six years, have to be offered for plants and machines like the textile mill machinery, sugar mill machinery and vegetable oil machinery. As a result of keen competition, the prices of such goods have to be highly competitive. Indian manufacturers of such highly specialized industrial goods must also realize that the conditions and requirements of foreign markets differ from those of the home market, and that it is also improbable that the conditions and requirements obtaining in any two foreign markets would ever be alike. Suitability of goods in one market need not necessarily imply suitability in another. In other words, the same variety of goods need not necessarily be equally suited to the requirements of two different markets. India has, therefore, to face an uphill task in the field of marketing, so that Indian industrial goods may find their way into Asian markets. Once foreign buyers are convinced about the quality, price and delivery of our capital goods and other heavy equipment, they will not hesitate to place repeat orders, thereby imparting greater and greater resiliency to Indian industrialization.

Consumer Goods Industries and Their Development

Having discussed the capital goods industries, we may now turn our attention towards consumer goods industries. Among the consumer goods industries, fans, sewing machines and bicycles find a place in the homes of almost all middle-class families in Indian towns and cities. The more well-to-do go in for motor cars which are also now produced domestically. There are numerous other products which enter the home market. Such products as steel trunks and furniture, buckets, aluminium utensils, cutlery and hurricane lanterns are in great demand in all parts of the country. These and many other engineering goods can develop in the small-scale sector. In *A Realistic Approach to India's Third Five-Year Plan*, the present author has laid special emphasis on the small-scale

sector by taking the cue from a study group of the Planning Commission : ' A study group of the Planning Commission has suggested that the bulk of the planned industrial development in the Third Plan should be in the sector of small-scale industry in order to meet the menacing situation of chronic unemployment of Indian economy. ' ³ In a number of fields such as production of main consumer goods and some intermediate products, it is possible, without undue cost, to substitute smaller units with similar techniques and to employ larger numbers per unit of output. By the introduction of modern techniques of development in small-scale industries, it is possible to give the acceleration effect to the Indian economy. Obviously, a miscellany of Indian engineering goods can be produced in the small-scale sector which would bring about the decentralized pattern of Indian industrialization. The role of the small-scale sector, either in the organization of production or on the marketing side of such production, or both, would be reflected in diverse ways in the Indian economy. Efforts should therefore be made for the even dispersal of small units throughout the country so as to promote balanced growth through locational dynamics. The advantages of industrial dispersion over industrial concentration are obvious, particularly on account of substantial savings in transportation costs which strengthen the marketing side of such products. Nowhere is the need for Weber's Theory of Industrial Location as the basis of developmental planning greater than in the case of engineering goods, particularly light consumer goods. It is necessary to feel the pulse of the market and satisfy the consumers of these goods by conducting market research and distribution surveys, so that their marketing can be directed into the right channels.

Select Group of Consumer Engineering Goods

India now manufactures all types of fans, such as cooling fans, table fans, pedestal fans, cabin fans, railway carriage fans and air circulators. They are being produced at competitive prices and placed in the home market at relatively lower prices than the corresponding fans of foreign origin. Recently,

³ Dr. T. N. Rastogi, *A Realistic Approach to India's Third-Five-Year Plan*, January, 1960, Delhi, p.24.

substantial quantities of Indian fans of all descriptions have been exported to neighbouring markets. They competed favourably in quality and price to suit the tastes and requirements of buyers abroad. The quality of Indian fans is acceptable in the international markets. Again, the sewing machine industry has also made remarkable progress because of inherent marketing strength. This engineering industry has registered an extraordinarily rapid growth in recent years. The industry's products have competed successfully against their American and European rivals in the home market. So great is the marketing strength of these products that they have found large and extensive markets both in America and Europe, and competed against rival products including American and European goods in their own home markets, where they have been able to underquote the local products by 20 to 50 per cent and even more in some cases.

The export performance of these engineering goods has been so creditable in recent years that India has captured more than two dozen overseas markets within the last two decades. Furthermore, the bicycle industry has competed successfully with foreign makes in the Indian market and displaced substantial quantities of imports on account of the high competitiveness of bicycles of Indian origin. So rapid has been the growth of this industry that production jumped from 1,14,276 cycles manufactured in 1951, to 11,17,003 in 1962. By 1971, the bicycle age should reach its zenith, for the production of cycles is likely to increase to 3.3 million by that year. Quite understandably, this industry has received an honoured place in the list of priority of programmes of industrial development prepared by the Planning Commission. It is hoped that the market for this engineering product will expand very fast both in urban and rural areas under the impact of developmental planning. In the capital of the country, Delhi, there are more bicycles than anywhere else in India. Not only does Delhi boast the largest number of cycles but also claims that it is the largest cycle market in India. The city has more than 300 cycle dealers who are confident that, but for the finish, the indigenous product is as good as the foreign one, with the price almost half that of the foreign-make. These bicycles, manufactured alike by large-scale, medium-sized and

small-scale units, are marketed in almost all the towns and villages of the country. Already in large industrial plants, bicycles are widely used by the employees. In modern townships, springing up as a result of development in the public and private sectors, one-third to one-half of the working force generally makes use of this mode of conveyance. As the community projects have gathered momentum under India's successive Five-Year Plans, the demand for this product has also shot up in Indian villages. Truly has India's Prime Minister said that India is at present in the bicycle age. This is what he says : ' I have described the India of today as being in the bicycle age. I have done so because the bicycle is now everywhere to be seen in the villages. If I address a public meeting in a rural area, thousands of people come to it on bicycles. It is perhaps a greater change to take to the bicycle from the bullock cart than the automobile from the bicycle.'⁴ It is necessary that bicycle manufacturers should undertake market exploration in a scientific manner so that the expanding market can be captured by Indian manufacturers.

The motor car and automobile manufacturing industry has also made rapid strides in recent years. There are three principal manufacturers in India, namely, Hindustan Motors, Premier Automobiles and Standard Motor Products of India. They manufacture the Ambassador, the Fiat and the Standard 10 at Calcutta, Bombay and Madras respectively. Because of greater business activity and the increasing needs of the public, there is a waiting market. These three manufacturers of standard models of cars are not able to cope with the fast expanding needs of the Indian market. Besides these three main firms, there are more than a dozen other firms which have been enlisted as would-be manufacturers of automobiles. Some of them have even begun production of auxiliaries and spare parts. So vast is the market that increased production can be easily absorbed for several years in the home market. Even so, efforts should also be made simultaneously to place token exports of Indian cars in the neighbouring markets so that when the time comes, the country can offer its surplus production in these markets, thus effecting substantial econo-

⁴ Jean Filhiozat, *India—The Country and its Traditions*, 1962, Foreword.

mies which result from the law of large-scale production. It would be better to manufacture 'prestige' products for export purposes on a token basis, as such products earn a good name for the Indian manufacturer. For instance, the manufacture of a quality car like the Rolls Royce, would earn for India an international reputation. It would play a similar role in world markets to that played by the Banaras *saris* and Kashmir shawls.

A searching study of marketing, coupled with a close analysis of all the marketing processes connected with industrial and consumer goods, is clearly necessary if vast improvements in the marketing of Indian engineering goods are to be brought about. Now that India has become a vast bee-hive of locally manufactured engineering goods and has begun to market them on a large scale in the home and foreign markets, it is high time that the marketing machinery was geared to current requirements. More specifically, the consumer engineering goods, particularly the select group considered above, needs market exploration in a scientific manner both at home and abroad. This group has registered considerable improvements on the production side as can be gleaned from the following table :

YEAR	SEWING machines (Nos.)	ELECTRIC fans (IN THOUSANDS)	CARS (Nos.)	BICYCLES	
				COMPLETE CYCLES (Nos.)	SPARE PARTS AND ACCES- SORIES VALUE IN Rs.
1951	44,460	212	12,384	1,14,276	94,88,000
1952	50,040	196	6,948	1,96,956	82,48,000
1953	62,424	199	4,932	2,64,168	1,01,94,000
1954	80,196	239	5,436	3,72,360	1,30,80,000
1955	1,01,472	282	9,492	4,91,172	1,65,17,000
1956	1,30,392	338	12,984	6,63,972	2,32,25,000
1957	1,67,484	524	11,604	7,90,524	2,79,44,000
1958	2,05,212	636	7,812	9,12,600	2,34,44,000
1959	2,52,612	726	11,988	9,90,744	2,74,33,000
1960	2,97,288	1,013	19,092	10,50,096	3,69,88,000
1961	3,07,404	1,074	21,660	10,40,592	5,73,79,000
1962	4,44,580	1,133	23,326	11,17,003	5,98,78,000

The value of the manufactured goods listed in the table is roughly of the order of Rs. 36 crores per annum. Besides these engineering goods in the select group, there are many

products turned out indigenously, among which electric lamps, batteries, timepieces, wrist watches, washing machines, pressure cookers, photographic enlargers, cameras, record playing decks, radios, typewriters, scooters, buckets and drums, cutlery, weighing scales and weights, hand tools, wire cables, ropes, and razor blades are the more important ones which have registered continued progress. All told, the value of consumer goods is about Rs. 100 crores per annum. Such a phenomenal growth of these consumer goods industries has been rendered possible because of the development of the iron and steel industry, being the fountain head of essential raw materials.

Marketing Possibilities

We have only covered a few select capital goods and consumer goods industries and indicated the speed and tempo of their development. There are many engineering goods which have bright marketing possibilities at home and abroad. It is largely a question of putting to best commercial use the innumerable products turned out by a chain of these engineering industries. The market is at our doorstep. The marketing efficiency of these numerous products will have to be increased commensurately to avert any serious maladjustment between production and consumption. Economists almost to a man abhor waste and inefficiency. Although there are tremendous marketing possibilities for a large number of engineering products, what is urgently required is that their production should be geared to market requirements.

Trade Delegations and Marketing Prospects

As a result of the formation of an Engineering Export Promotion Council in October 1955, a number of Trade Delegations was sent abroad, and the delegates made on-the-spot studies of the market requirements, the customs duties and the special documentation, and indicated the vast opportunities that different countries provided for Indian engineering goods. On the prospects of Indian engineering goods, the Trade Delegation to Middle East countries remarked : 'Assuming that the Indian exporters are given similar facilities as the Continental or Japanese exporters, the Delegation is of the view that there appears to be ample scope for many of the engineering goods. Our exports, so far, have been

insignificant and excepting a few items, no organised effort has been made to develop the exports. The principal suppliers have been the United Kingdom, West Germany, the U.S.A., Japan, France, Italy, and of late East Germany, Czechoslovakia, Yugoslavia and the U.S.S.R. Between 1938 and 1953, exports to some West Asian countries (Iraq, Syria, Lebanon, Saudi Arabia and Persian Gulf) for which figures are readily available, increased from £11.5 million to over £200 million. During this period the U.K. increased her exports from £3.2 million to about £60 million (nearly 20 times) ; the U.S.A. from £2 million to £60 million (nearly 30 times) ; Japan three times ; Germany twelve times ; Italy four times ; France eighteen times ; Belgium and Luxemburg twenty-seven times and the Netherlands thirty-seven times. All these countries have thus established themselves in the fast developing markets of West Asia. India's share has been insignificant, but there is ample scope for development. The countries are developing fast. The people are very proud of their status in the international field. They have goodwill and admiration for India and all that she stands for and are anxious to establish close relations with India. It is now for us to extend our hand and co-operate with them in their efforts. We can sell them a number of new items—apart from traditional goods. There is, therefore, a big prospect for our light engineering goods, but it requires an abnormal effort before we can establish ourselves in these markets. The campaign must be wholehearted and continuous. The reward in increasing volume of exports can be great and greater still as the wealth from oil brings increasing prosperity to these countries.⁵

What holds good for these countries also holds good for other Asian and African markets. There is a fund of goodwill for India in most of these markets. We must take cognisance of the rapid change-over in the political geography of the world. The countries in Asia and Africa are gaining political

⁵ See *Report of the Trade Delegation to Afghanistan, Iran, Kuwait, Bahrain, Iraq, Syria, Lebanon, Jordan and Egypt*, Engineering Export Promotion Council, Calcutta, 1957, p. 24 (These countries are popularly known as 'Middle East', but the Delegation preferred to call this area 'West Asia', because what is Middle East from a Western standpoint is actually the western part of the Continent of Asia).

independence one by one. This has brought to the fore the problem of their economic development. All this is a pointer in the direction of increased demand for engineering goods.

Endowed with tremendous resources, and with over a decade of planning and development behind us, we are most favourably placed for extending marketing operations to this thirsty world. We must introduce Indian engineering goods into these markets on an ambitious scale. Furthermore, we are capable of developing the European and American markets to a far greater extent than is ordinarily known and understood. A recent marketing analysis carried out by the Consulate-General of India in New York on the export possibilities of Indian engineering goods in the American market indicated a changing pattern in favour of manufactured goods. This development is of great importance to India, particularly at a time when Indian engineering industries are striving to gain a foothold in the American market. According to the Consulate-General, the American market offers ample opportunities for Indian exporters of a variety of engineering goods, because the imports from Western European countries have declined considerably as a result of rising labour costs there. Since India is in a strong position to supply engineering goods to the American market, an organized effort should be made to capture a part of this rich and extensive market. It may be noted in this connexion that exports of Indian engineering goods into this market fetched the country a little over Rs. 1 crore in foreign exchange in 1961-62. This figure can easily be doubled, or even trebled, provided we tackle the marketing problem with determination. Likewise, the West European and the British markets can also develop to a far greater extent than at present if systematic efforts in marketing are made to meet the diversified needs of these markets. The Report of the Trade Delegation to West Europe and the United Kingdom makes an impressive reading : 'In West Europe and the United Kingdom today, we have observed that there are the most dynamic markets in the world, sophisticated, competitive, technically demanding and large in size whose potentialities are even greater. For India, for the time being, they are limited but crucial. They are crucial in the sense that they require our ability to be proved. Once

we are successful in doing this, we shall have established ourselves as a supplier of engineering goods and services even to sophisticated markets like West Europe and created great confidence in our own industries. At present the market for Indian engineering industries is no doubt limited as we cannot supply a wide range of finished engineering products. Then the question of distance also arises. By our prompt action and quick delivery, this distance can be shortened. In India, we have the great advantage of the knowledge and experience of trading with West Europe. We have seen how West European industrial and trading houses captured the Indian market. Of course, India has been a growing market and, in the early stages, there was no competition, whereas we, as suppliers of engineering goods and services, have to enter a highly organized and competitive market. To get into these markets is difficult but once we have been able to do so, the going would perhaps be easy. For this purpose specialized production, technical ability of a high order, first-class quality and salesmanship are necessary. The watchword has to be right goods at the right time and at competitive prices. Utmost care has to be taken of the designs and specifications to which goods have to be manufactured. Then the question of variation in language has to be solved. The seller in India should always use the language of the buyer in Europe. This would make for easy and quick understanding. Commercial practices and business traditions of West Europe should also be kept in view. Manufacturers have to enter these markets, not on the basis of a short-term business, but with a view to establishing it on a long-term basis. The previous contacts, India has had as an importer of engineering goods and services from West Europe, would be useful inasmuch as the same experience, ability, and skills have now to be applied to the marketing of engineering goods and services in these markets.⁶

The Trade Delegation was convinced that West Europe offers tremendous opportunities for a variety of Indian engineering products both in the field of producer goods as well as consumer goods industries. But these opportunities cannot be put to the best use without the most determined

⁶ See *Report of the Trade Delegation to West Europe and U.K.*, issued by the Engineering Export Promotion Council, Calcutta, 1963, p.7.

efforts in the domain of marketing. Obviously, there should be a growing marketing consciousness where a change from production-orientation to marketing-orientation would bring about the desired results. After all, our labour costs are fairly low after making allowance for low productivity, which places a cushion under our elbows, and so we enjoy an advantage in producing a variety of engineering goods which can successfully compete in the world markets, provided marketing becomes the power-grid of such production.

The export performance of Indian engineering goods in recent years has been good, as will be seen from the following table :

EXPORT OF ENGINEERING GOODS

Year	EXPORTS
	VALUE IN CRORES OF RS.
1951	3.20
1952	4.36
1953	4.21
1954	3.18
1955	4.22
1956	3.00
1957	5.21
1958	4.58
1959	6.41
1960	9.85
1961	10.85
1962	11.00

But the progress as shown in the above table is nothing as compared to the vast resources that we command. We must remember that the export of Indian engineering goods would not only bring us much-needed foreign exchange and sustain the internal employment level, but what is more important, would open the door to the vast knowledge of technological and scientific advance with its related speed and competitiveness which would tone up the efficiency of our engineering industries. As such, no efforts should be spared to study the tastes and requirements of overseas buyers and keep these home industries geared to foreign markets. It is only by invoking the true spirit of salesmanship, and making full use of the fine tools of marketing, that we shall be able to increase the exports of engineering goods in world markets. The present export figure of Rs. 11 crores is too low. It should

be increased several-fold so that the Indian economy may claim to be set on the path of a high-g geared industrial economy. Every possible effort should therefore be made to increase the marketing development of Indian engineering goods.

Conclusion

Engineering goods are not like cotton textiles or jute products where India has a well-established advantage. A great deal of spade work is necessary before a party can be made to show interest in Indian engineering goods. For instance, before a party can be persuaded to go in for a diesel engine, it should have received all the literature on the subject and seen the working of the engine. 'After-sales' service will also be expected. So the marketing costs are increased. Industrial product manufacturers spend a lower proportion of every sales rupee on industrial marketing, than the manufacturers of consumer goods do on consumer marketing, so the extra expenditure involved in 'after-sales' service raises the costs of marketing and almost equates them with those incurred on consumer marketing.

The commercial secretaries attached to Indian embassies abroad should have a real 'feel' for the market to which they are accredited. They should keep themselves abreast of changing market conditions, the state of foreign competition, prospects for business and, in short, with everything that helps push the sale of Indian manufactured goods in these markets. They should keep the Government of India and the Engineering Export Promotion Council informed of all marketing information so that Indian manufacturers can be suitably advised about the marketability of their products in these markets.

The development of the many engineering industries requires to be speeded up. Luckily, the Indian iron and steel industry has begun to take large strides under India's planned economy. Since the productive capacity of Indian engineering industries is inevitably linked with the country's iron and steel production, it is much to be hoped that Indian engineering industries will develop side by side so as to achieve quicker progress. The Indian engineering industries will find markets not only inside the country but also outside. These industries have sufficient resources to meet the varying claims of both the home and

CHAPTER TEN

MARKETING OF INDIAN LEATHER AND LEATHER GOODS

Leathercraft in the Prehistoric Age

The *Rig-Veda*, our greatest and most ancient heritage, contains several references to leather *mashaks*. In mythology, Lord Indra, the rain-god, is praised metaphorically for piercing the rain-confining skins, or *mashaks* of the clouds. Bottles made of leather were used in prehistoric times. Agasthya, the great sage, in his poison-neutralizing mantra, says : ' I deposit the poison in the solar orb like a leather bottle in the house of vendor of spirit in *Aryavarta*.' Again, in the laws of Manu, *mashaks* for water are alluded to as 'dritri'.

The Aryans knew the art of tanning, and the craft of making goods out of leather. Numerous references to articles of leather such as shoes, sandals, shields, and coats of armour are available in our old scriptural books. Both the *Ramayana* and the *Mahabharata* contain ever so many references, which testify to the thriving state of the industry in India during the epic period, when, according to modern historians, the civilization of India was at its peak. It will thus be seen that the production of leather and leather goods dates back to antiquity. It is, however, not possible to give a chronological account of the industry. 'The beginning of leather industries in India is lost in antiquity, for although there are many references to the uses of leather goods of various descriptions in religious and other secular books, it is not possible to trace the origin to any exact date or period or to the initiative of individuals. There are many interesting stories current among the rural population about the peculiar circumstances in which the ancestors of the *muchis* or *chamars* were born or their industry was started. Whatever may be the sociological import of such stories the fact is that the uses of leather and leather goods evolved with the growth of human needs. Utility is the starting point of all economic efforts and, as such, the beginning and gradual progress of leather

industries must have followed the gradual evolution of human civilization.¹

The Rise of the Modern Leather Industry

The rise of the modern leather industry in India is inseparable from the Great Uprising of 1857, among whose achievements must be listed the creation of a new industry. Had the Suez Canal been opened before, or on the eve of the Great Uprising, this industry in its modern shape would not have started even in the second half of the nineteenth century. The disorganization of trade caused by the Great Uprising, and the heavy demand for military boots and other equipment to which it gave rise, more or less compelled the British to abandon the wasteful method of obtaining stores from England. Instead, they concentrated on indigenous production. The manufacture of leather goods and equipment was undertaken at the Government Harness and Saddlery Factory at Kanpur immediately after the suppression of the Great Uprising. Then came Cooper Allen & Company, Kanpur, in 1881. Thus the ground was prepared for the future growth of the Indian leather industry on modern lines. Today it has grown into a major industry, and commands much economic importance. It yields foreign exchange to the extent of Rs. 30 crores annually, which is about 4 per cent of the total annual foreign exchange earnings of the country.

According to the information supplied by the manufacturers registered under the Industries (Development and Regulation) Act, the capital invested in the large-scale units alone is about Rs. 10 crores, and the number of persons employed is 9,950. Again, the number of persons employed in the small-scale units is about 763,000, or 6.6 per cent of the total labour force employed in all the small enterprises.² The industry is scattered all over the country, though the chief manufacturing centres are Madras, Kanpur, Agra, Calcutta and Bombay.

Peculiarities of the Problem of Marketing Leather Goods

The marketing problem of the industry's manufactured goods has assumed great importance, because although the

¹ See *Report of the Leather Industries Sub-Committee*, West Bengal Government, 1951, p. 3.

² Source : *The National Income Committee's Report*, 1954.

production is mostly on a small-scale basis, marketing is conducted on a large scale. The problem of marketing is relatively simple where production is concerned with the immediate needs of the localized market, but it becomes more complex as soon as the boundaries of marketing are enlarged. The finished goods of this industry are mostly produced on a small-scale basis, but they are generally marketed in heavy quantities after their collection from numerous sources scattered all over the country. Because of this, the marketing problem becomes highly complicated. Careful planning and proper execution are as indispensable for the best results in a modern economy, as they are for keeping the wheels of production in motion.

The phenomenon of marketing in a modern economy is vast, complex, and dynamic. Marketing is a total function—the entire operation of product conception, its gestation, its continued health, constant growth and development of sales, finance and accounts, market research, scientific packaging and public relations including advertising. In fact, marketing in today's competitive economy of the world is a highly demanding job in which every skill will have to be employed with consummate ability. The basis of a sound international competitive position, in the ultimate analysis, is an efficient consumer-oriented home production. Indian entrepreneurs who often took a casual attitude towards marketing, because of the sheltered market obtaining at home, have an uphill task before them in order to gain an inroad into the international market.

Efficient large-scale marketing requires intimate knowledge of the market, the capacity to wait, and, above all, the readiness to change products to suit the varying requirements of the consumer. It is no wonder then that the marketing side of small-scale production is beset with greater difficulties than those facing large-scale production. We must understand this basic handicap of small-scale production when the products have to cater for large and diversified markets. And as the production of leather and leather goods is also mostly conducted on a small-scale basis, these peculiarities of the marketing problem must also be borne in mind. It will be unfortunate if we do not nurse

the marketing structure with a healthier diet. Fortunately, the export of leather and leather goods has been completely decontrolled by the Government of India. Nor is this all. The Government have imposed severe restrictions on the import of leather and leather goods. In such circumstances, India can play an important role on her own by virtue of the easily available raw materials which are essential for quality production. India can capture good markets in the Middle East, and Far Eastern countries. Furthermore, she has bright marketing prospects in the Soviet Union, Poland, and many other East European countries, provided her trade is canalized through a single agency, thus showing an appreciation of the peculiarities of the marketing problem. She can hope for a significant expansion of the sales of leather goods, particularly footwear, in these markets. The National Small Industries Corporation is best equipped for this task. Anyway, marketing holds the key to success in the production of leather and leather goods. It is incumbent for this industry to have an outward orientation to secure for its manufactured products a leading place in world markets.

Classification of Leather and Leather Goods

Leather and leather goods are classified in the following categories :

1. Tanned leather.
2. Boots and shoes, including leather footwear.
3. Miscellaneous leather goods for military and civilian requirements.

1. Tanned Leather

(i) The crude leather manufactured by village *chamars*, by the indigenous process of tanning.

(ii) The lightly tanned crushed leather produced in Madras and Bombay States known in the trade as *East India tanned kips and skins*. This is also known as half-tanned leather in marketing terminology.

(iii) The finished leather produced in modern tanneries which are equipped with up-to-date machinery.

2. Boots and Shoes, including Leather Footwear

(i) Production of indigenous types of footwear such as *mundas, nagras, jari shoes, and chappals*.

- (ii) Production of leather footwear of modern types by hand.
 - (iii) Production of European type shoes such as Oxford, Derby, Brogue, and Golf by modern machinery.
3. *Miscellaneous Leather Goods for Military and Civilian Requirements*

(i) Industrial leather goods, the chief being leather belting, leather pump buckets, straps, washers, U-rings, welder's gloves, and leather and canvas gloves for metallurgical labour.

(ii) Leather goods for civilian requirements, the chief being purses, leather trunks, suit-cases, attache cases, brief cases, portfolios, toilet cases, binocular cases, thermos flask cases, blotters, doctor's handbags, and smith's bellows.

Planning of Home Market

Even after more than sixteen years of political independence and over twelve years of planning, this industry has not acquired the stature befitting its position. Through the ages, India has looked down upon the industry as the exclusive profession of the untouchable *chamar* class, and old prejudices die hard. This industry is the third biggest industry in Great Britain, although Great Britain imports about 75 per cent of the raw materials from abroad. Again, the vigour of the industrial expansion in West Germany finds a satisfactory expression in the development of her leather industry. These two countries market their leather goods effectively in the world markets, though their home markets are relatively small. But India, notwithstanding a huge home market and the availability of the raw material within the country, has not been able to push this industry to its rightful place. Her annual consumption of shoes is meagre in the extreme. Hardly one man out of eleven wears shoes in India. In countries like the United States of America, England, and Germany, there is not a single person, either in a town or a village, who does not wear shoes. Whereas in America and England, each man on an average wears three pairs of shoes every year; in Germany, each man wears only two pairs of shoes a year. But in India the position is quite different. Her annual consumption is woefully low.

The reason for this abnormally low consumption of shoes in India is that the vast majority of Indians live in villages. And, as is well known, the standard of living of an Indian villager is deplorably low. He is too conservative to rise above his antiquated mode of living. It is a familiar sight in India to see a villager carrying his footwear either in hand, or at the end of his *lathi* which is slung across his shoulders. His lean purse, and the absence of any tradition prevent him from wearing shoes. If somehow these millions of our countrymen could be convinced of the utility of shoes, the marketing battle will have been half won. The Indian villager is economically much better-off today than he was in pre-independence days ; his economic position is bound to improve further. With the successful implementation of each Five-Year Plan, he thus becomes the most important factor to be reckoned with in the realm of home marketing.

The factory worker is the next consumer. He has been accustomed to a comparatively higher standard of living than the farmer working in the field. He has got used to wearing shoes. But this habit has to be encouraged through effective propaganda, so that the home market can be widened, particularly at a time when Indian industrialization is gathering sufficient momentum. With every rise in industrial production, the number of people engaged in the productive activities is bound to increase. Every care, therefore, should be taken to increase the offtake of shoes by this section of the home market.

Further, members of both the upper and middle classes invariably wear shoes. They do not present much of a difficulty. All that is needed is that they be given full satisfaction in regard to quality, standard, and price, so that the market for quality products increases. A satisfied customer is the best asset to an industry.

The offtake of footwear in the home market was estimated at 85.0 millions in 1950 by the Planning Commission. The First Five-Year Plan brought about an increase of 5.0 millions, bringing the total offtake of footwear to 90.0 millions. The Second Five-Year Plan estimated domestic requirements of leather footwear at 100 million pairs by 1960-61. Exports in that year were estimated at 2 million pairs of Western

type footwear. The production of large-scale factories from 1955 onwards is given below :³

				WESTERN TYPE (1,000 pairs)	INDIAN TYPE
1955	.	.	.	3,243	2,303
1956	.	.	.	3,620	2,911
1957	.	.	.	4,370	3,038
1958	.	.	.	4,277	3,286
1959	.	.	.	4,139	4,103
1960	.	.	.	5,420	3,780

For the Third Five-Year Plan, the Development Council for Leather and Leather Goods Industries has estimated the requirements of leather footwear in 1965-66 at 140 million pairs. In view of the fact that the leather footwear industry can be organized on a labour-intensive basis and a substantial expansion in employment opportunities is one of the principal aims of the Third Plan, no expansion of capacity in the large-scale sector of the industry is envisaged during the five-year period. The additional demand for footwear is expected to be met by a fuller utilization of existing capacity in the large-scale sector and by development of the cottage and small-scale sectors. The development programme for the footwear industry as a whole provides for increase of production from 102 million pairs in 1960-61 to 140 million pairs in 1965-66. *En passant*, it may be added that exports of leather footwear, under the Second Five-Year Plan, were set a target of 2 million pairs by 1960-61. Exports from 1957 to 1960 are given below :

				QUANTITY (million pairs)	VALUE (Rs. crores)
1957	.	.	.	2.48	2.26
1958	.	.	.	2.11	1.77
1959	.	.	.	2.61	2.52
1960	.	.	.	2.49	2.67

It is evident from these figures that the export target envisaged in the Second Plan has been exceeded. For the Third Five-Year Plan, 4 to 5 million pairs are expected to be exported.

The current demand pattern in the urban and the rural areas shows wide disparity. According to the Bengal Tanning

³ Source : Programmes of Industrial Development, 1961-66, Government of India, Planning Commission.

Institute, Calcutta, the demand of the rural areas is one-third of that of the urban areas. We cannot achieve any tangible results in the planning of the home market, unless considerable changes are brought about in the habits of the rural population. Here the community development programme ought to prove an appropriate forum for initiating a process of transformation of the consumption habits of the Indian villager, ensuring that in the process, he is made shoe-conscious. Thus, if concerted efforts are made in this direction, the home market can be doubled. We should not be content with the present offtake, which is abnormally low from every point of view. We must, willy-nilly, raise the home market by every possible means.

Since the leather industry is to be developed under the Third Five-Year Plan mostly as a part of a programme of encouragement to small-scale and village industries, it follows that considerable expansion will take place in this sector. Marketing is the necessary complement of production. It is essential at all stages of production as a continuous cross-check on management hunches and decisions. Stability of production programmes can only be acquired if the problem of marketing is tackled with imaginative understanding. It is marketing which often wields the magic wand, so to say. Therefore, a specialized study of marketing in relation to production is of crucial importance. We must see that increased production finds profitable markets.

The twelve large-scale organized units manufacturing about 7,012 million pairs of footwear annually are denied any opportunity for further expansion, according to the present trends in planning, including those under the Fourth Five-Year Plan (1966-71) on which loud thinking has already begun. It is only the small sector that has to shoulder the responsibility of increased production; but unless the marketing problem is geared up, and specialized marketing agencies are engaged for undertaking marketing operations, there will be obstacles at every stage of increased production. Marketing will, in fact, serve as the pivot for increased production. It will challenge and provoke the organizational ability of our people at every stage. Fortunately, the Government of India have been alive to the task of developing the

marketing side of these units. The National Small Industries Corporation was set up in February 1955. It has begun rendering marketing assistance to small industrial units. The Corporation has taken some active steps in planning the marketing side of small leather units. A central wholesale depot has been opened by the Corporation at Agra for marketing the finished goods. It is thus quite clear that the Corporation has now extended a helping hand in the domain of marketing. All this would create conditions favourable for the development of small units, and the home market is bound to expand a good deal in the years to come under the impact of developmental planning. Considerable expansion has already taken place in the footwear consumption in Government departments, such as the Railways, the Police, and the Post Offices. Now the masses are getting more and more shoe-conscious. This trend is likely to gather momentum. We must, therefore, be prepared for a considerable market development under future plans.

India should also produce fashion goods and market them domestically. In the case of leather articles, it is the women who are more particular than men. Today no woman is considered well-dressed unless her shoes, bags and gloves 'match', and all strike the correct note for the particular occasion. Unfortunately, we have been constantly committing costly mistakes in our marketing strategy, because our decisions about influencing the woman consumer proceed from masculine misunderstanding. It is true that we spend all our lives in association with women—our mothers, wives and daughters or even our friends and acquaintances, yet it never dawns on us that as women they have fundamentally different motives. It is time that we understood feminine psychology and also their prejudices and susceptibilities. Leather articles designed for ladies should suit their peculiar requirements.

A large number of articles, such as trunks, attache cases, suit cases, etc. can be marketed. There are many industrial goods which can also find large markets inside the country. For example, the bulk of the requirements for leather straps, which are called picking bands, and are used by the country's cotton and jute textile mills, is met from imported materials. It is time that our leather industry manufactured such products,

and supplied them to our cotton and jute mills, and thus effected a considerable saving in our foreign exchange resources. At all costs, the industry should adapt itself to changing industrial and consumer requirements, and make all possible efforts at manufacturing a great many products, so that the indigenous raw materials can be more gainfully utilized inside the country. This would help us not only in diversifying industrial production, but also in creating adequate employment potential. If the leather industry has to develop along proper lines, as it must, it is essential that the marketing aspect should receive adequate attention. In the larger view, it is the ultimate satisfaction of human wants which is the main objective of all marketing activities. But for the satisfaction of human wants, we must reorientate the technique of marketing in the light of modern requirements.

Planning of Export Markets

As the export promotion programme has assumed an overriding importance in our economic thinking in the context of the acute shortage of foreign exchange, the need for taking concerted steps for the development of export markets of leather and leather goods cannot be exaggerated.

We must cater for export markets on a planned basis by large-scale, as well as small-scale, manufacturers. Here Batas and Cooper Allen amongst the organized sector, and the National Small Industries Corporation, and an independent export organization on behalf of the decentralized sector, should make concerted efforts. They should establish their sales organizations in organized markets in order to obtain first-hand knowledge of market conditions. In some of the markets of the Middle East, Africa, Burma, the Far Eastern countries, Australia, and New Zealand, market research should be conducted for studying the buying habits of the people.

An export organization on behalf of the decentralized sector, if established, can infuse up-to-dateness, and tackle the problem of marketing in an effective manner. An export organization of this kind should form selling groups, and organize warehousing, the delivery system, sales promotion drives, an office, and a showroom ; this organization should also ascertain export market requirements in general. The member-manufacturers should bear, in an agreed proportion,

the cost of maintaining such an organization. The export orders should also be similarly divided amongst member-manufacturers. The Government, in turn, must ensure that adequate raw materials are made available to the members of the organization, so that the export marketing programme develops unhindered. The Government would do well in allowing the organization a certain percentage of the foreign currency earned on exports, thus providing some additional incentive for exports. The benefits of co-operative marketing should be extended to this organization. In this way, good export markets can be built up and the country can achieve the export target set under the Third Five-Year Plan.

The National Small Industries Corporation has also been securing bulk orders from abroad, and, after collecting leather products from numerous small manufacturers, sells them in the foreign markets against bulk orders received. The Corporation exported 576,900 pairs of shoes to the Soviet Union in 1957. The Corporation sought the help of the State Trading Corporation in the matter. Unfortunately, these two organizations have not employed the fine tools of marketing for building up permanent connexions on the basis of satisfactory supplies. In September 1957, the Polish Government entered into a contract with the National Small Industries Corporation for the import of 54,000 pairs of shoes. The Corporation placed bulk orders with small manufacturers in Delhi, Ludhiana, Kapurthala and Agra, but did not show sufficient interest in securing uniform supplies according to specifications. Consequently, when the Polish Government's representative, Mr. Teodor Przybujewsky, arrived in Delhi in May 1958, he bought only 20,000 pairs of shoes, rejecting the balance owing to lack of conformity with the specifications. The same thing happened in the case of the Russian supply. The sub-standard products palmed off on unsuspecting foreigners, wiped out in a single stroke the country's fair name abroad ; and the good work done over the years was besmeared by such dubious marketing practices. Thus one of the most formidable obstacles in the way of a better export performance by us has been the besmirching of the image of manufactured goods of Indian origin. The Corporation could easily have received repeat orders from these two countries if only it had

cared to satisfy them in regard to quality. This goodwill, had it been established as a result of satisfactory supplies to these two markets, would assuredly have brought more orders. After a short while, the State Trading Corporation made concentrated efforts to procure more orders from Russia. It succeeded in signing a contract with the Soviet Exportjon for 100,000 pairs of shoes and chappals on July 22, 1963.⁴ It is of extreme importance to build up the image of reputation for Indian products in the Russian market. That would help in securing more markets lying within the sphere of influence of the Soviet Union. It is eminently desirable that, foreign markets being selective, the utmost effort should be made to meet their varying requirements.

Other large-scale manufacturers have been carrying on export marketing with greater care. They do not supply those goods in the foreign markets which are generally found unmarketable in the home market. They exercise greater care in meeting the exacting demands of the export market. They advertise their goods in a systematic way. It is because of their successful sales promotion campaigns that they have stepped up their supplies in foreign markets. It is for the National Small Industries Corporation and the State Trading Corporation to follow the example set by these progressive manufacturers in order to promote effectively the marketing interests of leather products in foreign markets. The suggested export organization can also figure prominently in export markets, provided it co-ordinates production and the marketing programme in an effective manner.

We may market our leather products at a higher price in the home market and at a lower price abroad, a policy followed by Japan in pre-war years. China is following the same policy these days in order to promote goodwill in foreign markets, and to earn more and more foreign exchange which she needs desperately. Unless we too devise similar marketing practices, we cannot hope to win permanent markets in foreign countries. This interregnum is, no doubt, going to cause us some difficulties ; but with goodwill and understanding on all sides, it is well within the realm of possibility. We must

⁴ Courtesy : Press Information Bureau, New Delhi.

sacrifice a little in order to plan export markets on a satisfactory basis.

For building foreign markets in a relatively short period, a part of our internal production will have to be diverted in a planned way for export markets. This would naturally lead to certain shortages inside the country, but we have to sacrifice to some extent in the broader interest of building up permanent markets abroad. In his inaugural address at the first meeting of the Panel for leather and leather goods industry on the 8th December, 1958, at New Delhi, Shri Lal Bahadur Shastri, at the time Union Minister for Commerce and Industry, remarked : 'The real solution of our difficulties would lie in earning more and more of foreign exchange. We have, therefore, to pay particular attention to stepping up our export.'⁵ He went on to say that the leather industry has a special role to play in this scheme of export promotion. The Government, on its part, has taken several steps, and is prepared to assist the industry in all respects. This being so, the industry as a whole should also play its part, and pull itself together. By exporting only finished products, we can augment our foreign exchange earnings, reaching the figure of about Rs. 80 crores. The increase, therefore, in the volume and value of leather products is of the greatest importance for earning more foreign exchange for the success of our planned economy.

Batas and Their Achievements in Production and Marketing

Batas, being the pioneers in the industry, and having successfully solved both production and marketing problems, merit a detailed survey. There is no other manufacturing concern in the country which has perfected its production and marketing techniques simultaneously. They provide an excellent example of a co-ordinated effort of production and marketing. While carrying on the production programme under a highly mechanized system, they perform all the marketing functions through their extensive marketing organization, thereby reducing the costs of marketing and improving marketing efficiency.

Finding the possibilities for market development quite propitious in India, Batas began to market their Zlin made shoes

⁵ See *Journal of the Indian Leather Technologists' Association*, January 1959, p. 3.

directly to Indian consumers through a chain of retail establishments right from 1932. Later on, an elaborate sales organization was outlined at the Lucknow Conference held under the presidentship of Mr. Bartos on 7th and 8th May, 1934. A definite marketing policy based on Indian market requirements was chalked out, and this policy became the cornerstone of their production and marketing programmes. Batanagar was established the same year, and it has now grown into the only leather town of its kind in the East.

The Company, started at Batanagar, first painstakingly studied the fundamental principles of scientific production in relation to marketing from the Indian point of view, and were quick to understand that these two functions formed an integral part of one problem—the best way to secure permanent customers. From producer to consumer was the basic foundation of their marketing programme.

Planning of Production

Since marketing is directly related to production in Batas, it is necessary to examine how production is planned, so as to understand the problem of marketing in its larger perspective. The entire production carried out by Batas is based on a most comprehensive form of planning. Rigid costing is applied all through the planning of production.

Before the production of any particular product is actually taken in hand, many factors of production are subjected to close scrutiny. For example, when the question of placing a product on the market is considered, the following major factors are given thoughtful consideration: (1) buying capacity of potential customers; (2) fashion trends; (3) availability of the requisite raw materials; (4) the durability of the product; and (5) the competition anticipated in this line. The product must stand the scrutiny of these five factors, and if conditions are found to be favourable for manufacturing the product, it is then subjected to rigid cost control. Actual production only begins afterwards, and, in the process, careful planning is undertaken all the way through.

The preparation of estimates for six-monthly periods known as 'seasons', is a special feature with Batas. These (longer) periods are further sub-divided into weekly periods. Factory

planning is conducted on a daily basis, which means that every unit of the factory must complete its daily quota, or target, each day of the week. Thus, the whole production is planned ; and a financial budget is prepared each season along with the production of planning for a period of six months. The expenses involved in the provision of machines and equipment, in the purchase of raw materials, in the salaries and wages to be paid, and in the overhead expenses are calculated, and the total is divided into weekly periods. The weekly estimate of expenses is available for comparison with the anticipated weekly income from sales, and regular scrutiny is carried out each week to see how the two compare. This scrutiny takes place at a production conference held each Thursday. Any discrepancies between estimated and actual production are discussed and adjusted at these weekly conferences. If, however, a major decision is to be taken in regard to changes of a material nature in production, it is reserved for the monthly conference. Thus budgetary control is exercised over the whole process of production which makes the problem of marketing quite easy and calculable.

Planning of Marketing

The marketing structure of Batas has three sides to it. The retail marketing system constitutes the first, the wholesale marketing system the second, and the export marketing system the third. Their retail marketing system has a definite policy. The retail shops offer footwear, as also auxiliary goods, market them at scheduled rates, and strive to make their business better and better by satisfying the demand of customers for fixed prices, standard quality, and durability of manufactured goods purchased. Side by side with their own retail shops, they have also developed indirect methods of marketing through the wholesale organization. This organization has been developed to meet the demands of customers in places where the Company has ordinarily no retail shops. While the Bata retail establishments sell footwear under the trade name 'Bata', the wholesale organization sells the same products under another name 'BSC' which is the abbreviation of the 'Bata Shoe Company'. Lastly, the export marketing system of Batas is well organized. By greater adaptability to the varying needs of foreign markets, the Bata products find their

way to many parts of the world. The United Kingdom, the United States of America, Canada, Germany, Belgium, West Indies, Nigeria, Sierra Leone, Cyprus, and Sudan, amongst others, purchased 3,706,700 pairs of footwear from Batas during 1962. The footwear made by Batas go to Canada, to the West Indies, to Cyprus, to the Middle East, to the towns of Africa, to the farmers of New Zealand, to Australia, and to the inhabitants of the many enchanting islands in the Pacific. In this way, sound merchandizing methods have been evolved by them, and they should be emulated by others engaged in the field of marketing. It is because of complete co-ordination of production and marketing that the two are kept in line, and that greater economies are effected in the two inter-connected processes. Taken together, they help each other inasmuch as production costs are reduced by estimating market requirements, and marketing costs are cut down at a faster rate than production costs.

It has been estimated that the entire retail establishment charges for retail shops are 20 per cent of the aggregate sale. The rough relationship between the costs of production and of marketing is $\frac{2}{3}$ and $\frac{1}{3}$ respectively. It is thus clear that Batas marketing costs are not excessive, and yet the marketing efficiency is high. This ratio is also maintained in the case of wholesale marketing, but the expenses incurred in export marketing very nearly reach 40 per cent of the production costs. Having regard to all these encouraging factors, it is but natural that Batas should have made such continuous progress.⁶

Conclusion

Finally, it may be pointed out that ideas on marketing accepted years ago have no place in the present-day world. A marketing technique, which may be useful for one age or time, may not be so for another. But as this industry is going to play an increasingly important part in the Indian economy, it is essential to adopt better sales techniques in accordance with the changing trend of markets. In a period of intensive competition which has now set in, the criteria of marketing are

⁶ I am grateful to Bata Shoe Co., Calcutta, which allowed me to make this highly specialized study.

attractiveness of design, cheap prices, and quality products. The industry will have to catch up with recent developments in the domain of marketing, if its products are to hold their place in the world's markets.

With the establishment of the Central Leather Research Institute at Madras, this industry has been placed in the lap of science. The time has come for obtaining detailed knowledge of the industry for developing marketing strategy on modern lines. A census of tanneries, boot and shoe factories and leather goods manufacturing concerns all over India should be undertaken by the Government of India with a view to giving the industry an idea of its rightful place in the Indian economy. The *chamars* and *muchis* working on a small scale should be organized by State Governments through Departments of Industries, with proper facilities for the supply of raw materials and marketing of finished products. Our marketing policy should not only aim at self-sufficiency in leather and leather goods, but also at developing export markets of leather and leather goods in the world, so that this industry may contribute its share to the expanding economy of industrially resurgent India.

CHAPTER ELEVEN

MARKETING OF INDIAN SHELLAC, LAC PRODUCTS AND ACCESSORIES

The Origin of the Indian Lac Industry

The Indian lac industry is of ancient origin. The title of *Sukta* No. 5 of the Fifth Book of the *Atharva-Veda* is लक्ष्म (Hindi equivalent of लक्ष्म), the *Sukta* being a graphic, if brief, account of the lac insect. Ancient works of medicine, as for example सुश्रुत and चरक, show that it is a healing drug of tremendous importance, particularly in the cure of wounds.¹ Among the later accounts is the *Periplus*, written in A. D. 80, which mentions that lac dye, the 'crimson lake' of commerce was marketed from India abroad. In the sixteenth century, Garcia de Orta, the physician to the Portuguese Governor of India, gave a detailed account of lac. He published his work in Goa in the year 1563. Again, *Ain-i-Akbari*, written by Akbar's Prime Minister in A. D. 1590, mentions the use of lac resin mixed with pigment in the preparation of varnishes for the painting of buildings. A Portuguese, Jan Guygen van Linschoten by name, was deputed by the King of Portugal on a scientific mission to the East Indies in the year 1596. Jan was greatly impressed with the medicinal uses of lac, and wrote extensively on the subject. Even the East India Company mentions lac and its uses in its records in the seventeenth century. Many other writers including Father Tachard, Kerr, Carter and Ratzeburg studied the insect; and each of them wrote according to his own light. Today, the insect is called *Laccifer lacca*.

Laccifer lacca, measuring hardly half a millimetre or one-fiftieth of an inch at birth, starts life as a minute boat-shaped larva, red in colour, settling on a succulent shoot of its host tree and exuding lac, which hardens on contact with air. This resinous encrustation of the lac insect is gathered from

¹ K. N. Dave, *Lac and the Lac Insect*, pp 1-9

the host trees such as palas (*butea monosperma*), kusum (*schleichera trijuga*), and ber (*zizyphus jujuba*), and ultimately it finds its way into the many marketing outlets throughout the whole world.

In spite of its ancient origin and the medieval references, the industry as such did not develop in either ancient or medieval India. Even today, the industry has not developed fully, since the efforts made for the utilization of lac in numerous industries are as disconnected as the pieces in a jig-saw puzzle. This resin is capable of being put to so many and varied uses that science has not yet said the last word on its usefulness.

The Indian Lac Research Institute and the Present Position of the Industry

Apprehending that this time-honoured industry might meet the same fate as the indigo industry, the Government of India established the Indian Lac Research Institute in Namkum at Ranchi in 1934. Largely through the efforts of the Institute, many marketing outlets for lac have been opened, and lac is being used for several divergent purposes. Today, the Indian lac industry has come to occupy an important position in the Indian economy. Its history has, however, been one of recurrent growth periods, each triggered by a new technological development, which either tried to oust it from the market or created new consumer demands. At present, the annual production of raw lac is about 8·4 lakh cwts.

Until 1950, India used to have a virtual monopoly of lac, accounting for 85 per cent of the world's production. Since then, production in Thailand has annexed nearly 30 per cent of the world output.² But production in Burma, Straits Settlements, China, Ceylon and Pakistan is negligibly small. Even now, India exports over 500,000 cwts of shellac to some 82 countries, of which the United States, the United Kingdom, West Germany, Russia, Brazil, Japan, France, Canada, Australia and Italy account for more than three-fourths of the total. The destinal pattern of our exports of this commodity is, however, given in the following table :

² See *Report of the Export Promotion Committee*, 1957, p.119.

Destination-wise Shipments

(In thousand quintals)

Destination	1951-52	1956-57	1960-61
U.S.A.	119	84	93
U.K.	82	53	33
U.S.S.R.	42	23	18
West Germany	36	38	33
China			14
Brazil	4	7	7
Japan	1	5	6
France	8	8	6
Australia	8	5	5
Italy	6	11	6
Indonesia	1	3	4
Argentina		8	3
Hong Kong	4	3	2
Egypt		1	1
Canada	1	3	4
Netherlands		3	2
Sweden	1	2	2
Mexico		2	2
Singapore		2	2
Philippines		2	1
Belgium		3	20
Others	46	21	
Total	359	287	276

The above table indicates that the United States continues to be our principal market. The British market is the next best market. West Germany is another important market. In the case of the U.S.S.R., there is the need to remove the erratic behaviour by taking advantage of a new trade agreement signed between the two countries at Moscow on 10th June, 1963. China which showed some promising signs in 1960-61 has to be written off from the scheme of marketing because of her bellicose attitude. Other countries only figure in a small way. It should be remembered in this context that there has been an all-round decline in our shipments with the exception of such countries as West Germany, when we take into account the more important markets for this commodity. This is at once clear from the above table.

We must know that unless we retain the edge over synthetic products for the products of this industry, the overall picture of exports cannot be satisfactory. It is therefore hardly surprising that the contribution to our foreign exchange earnings from this industry's products has steadily shrunk from the post-war ten-year average of Rs. 10 crores to the present Rs. 6 crores. Against this background, the Board of Trade of the Ministry of International Trade which met at Calcutta on 1st February, 1964, under the chairmanship of Shri Manubhai Shah, Minister for International Trade, reviewed the position of the export trade during 1963. The Board felt that shellac export had been more or less stagnant during the last few years. It was therefore necessary to institute research to secure greater utilization of shellac within the country and abroad. Unless new uses for shellac were found, the expansion of the shellac industry was likely to suffer. Recent measures such as the removal of the export duty and the extension of price support to the shellac producers, as well as the co-operation between India and Thailand in the shellac trade, had no doubt promoted healthier trends in the domain of marketing, but what is needed most is to demonstrate the superiority of shellac over synthetic products, so that the contribution of this industry to the country's foreign exchange may be augmented in the difficult years ahead.

Marketing is not a magic wand or a switch button to change the minds of the people. It is only an instrument which seeks to enlarge the existing markets and to discover the new markets. The shellac industry is in a difficult situation and needs tremendous efforts to be pulled out from the slough of stagnation. Whereas it is menaced in its traditional markets by the increasing threat of synthetics and substitutes, the newer markets of Russia and the East European countries are behaving erratically. It seems that the time has come when we have to bring about larger consumption in the home market by diversifying lac products. It is therefore necessary to take not only a comprehensive but also a long-term view in marketing development where lac is concerned, so that this industry may continue to play its part in the national economy.

Lac production has generally fluctuated between 654,000 maunds and 1,744,000 maunds per year, as can be seen from the following table :

Production of Sticklac in India
(In '000 maunds)

YEAR	PRODUCTION
1937-38	1,237
1938-39	1,431
1939-40	1,382
1940-41	1,224
1941-42	1,415
1942-43	1,377
1943-44	817
1944-45	959
1945-46	1,126
1946-47	1,744
1947-48	970
1948-49	827
1949-50	1,166
1950-51	1,073
1951-52	1,297
1952-53	1,152
1953-54	654
1954-55	1,023
1955-56	1,248
1956-57	1,315
1957-58	1,140
1958-59	1,013
1959-60	1,159
1960-61	1,427
1961-62	1,004
1962-63	996

Marketing of Shellac

There are two systems of marketing of shellac, namely, direct and indirect. The direct marketing system is resorted to by large-scale factory manufacturers ; and the indirect marketing system is practised by small-scale manufacturers producing shellac on the cottage-scale basis.

Bigger manufacturers, like Angelo Brothers, A. M. Arathoon, and Shellac Industries, carry on direct marketing. They have their own selling agents in the principal foreign markets of the world. Their quality standards are based on registered trade marks, which are widely known to overseas consumers. Their aggregate sales in the principal markets of the world add up to two-and-a-half crores of rupees. The smaller manufacturers, producing shellac from 1 to 10 maunds per day in their small factories, usually sell their products to brokers

and dealers in Calcutta. Some of them also place their products in the upcountry markets like Mirzapur, Daltonganj, Jhalda and Balarampur. While the upcountry intermediaries sell shellac in the Calcutta market, the Calcutta brokers and dealers sell shellac, in their turn, to exporters and shippers. These exporters and shippers market shellac to overseas markets through their selling agents, who are stationed in those markets. They market shellac worth about three-and-a-half crores of rupees.

We shall now examine the actual marketing practices employed in the export of shellac to foreign markets.

Shellac is ordinarily shipped from manufacturing centres to Calcutta in gunny bags containings from $1\frac{1}{4}$ to $1\frac{1}{2}$ maunds (of 82·13 pounds each). But the superfine and button-lac grades of products are packed in wooden cases of two maunds each. In shipments to the United States of America, the superfine and button-lac grades are packed in wooden cases, and the remaining grades in bags. But this is not the marketing practice when the commodity is being sent to the London market. According to a long-standing practice, all grades of shellac are shipped in wooden cases if the products are destined for the London market.

Marketing to the various countries follows the above pattern, whether it is done by exporters and shippers, or by large-scale manufacturers on their own. There are, however, seven commercial grades of seedlac and shellac which are currently used in the marketing process. They are as follows :

1. T.N.
2. Button lac
3. I.T.N. with 4 per cent insolubles
4. Lemon No. 1
5. Lemon No. 2
6. F.O. Standard I
7. Machine-made shellac, ordinary, decolourized, and de-waxed

Amongst these seven commercial grades of seedlac and shellac, it is the T.N. shellac which is the most common commercial grade. Prices of other grades are more or less determined on the basis of the price of this grade. The following table gives the price data of T.N. shellac at Calcutta :

Lac Prices at Calcutta

(Rupees per maund)

YEAR	APRIL	OCTOBER
	Rs.	Rs.
1951	137	159
1952	85	68
1953	65	59
1954	96	147
1955	142	155
1956	112	120
1957	85	87
1958	62	67
1959	65	65
1960	76	66
1961	58	63
1962	45	38
1963	35	32
1964	46	—

The above table reveals the fluctuating character of lac prices. It need hardly be stressed that lack of marketing information is mainly responsible for unstable prices of shellac inasmuch as, without precise marketing intelligence, it is not generally possible to determine future demand. That makes the problem of marketing extremely difficult. It is no wonder then that the products of this industry find themselves in a competitively feeble position.

Further Classification of Grades

The various grades are again distinguished by the manufacturers' or shippers' proprietary trade marks. A system of licensing has been imposed upon the export of shellac with a view to stabilizing prices. Exports are permitted only on the basis of licences which are issued to the members of the Exporters' Association. These members should have earlier succeeded in maintaining export prices at remunerative levels consistent with the demand and price situation in foreign markets. But notwithstanding the licensing system introduced in 1958, the problem of instability, being a chronic and endemic one, requires to be solved through the adoption of more lasting measures.

A Critique of Buffer-Stock System and Marketing

Since a study of the marketing system of lac and shellac furnishes a striking example of the existence of all the three

indicators of export vulnerability in the case of an under-developed economy, namely, instability in price, volume of exports, and value of exports in the shape of export earnings, it is necessary that a realistic approach is made for removing the imbalance in the demand and supply position of this industry's products. With the establishment of an Indian Lac Exporters' Association with an air-conditioned godown at Calcutta, efforts should be made to develop a system of buffer-stocks which can avoid the damaging effects of any likely imbalances in the export economy of this commodity. A buffer-stock system provides an answer. This proposal will have the stabilizing effect on prices. There are, however, many practical difficulties in implementing this proposal which will be made infinitely worse if the Government were to assume charge of the operation. Marketing of this industry's products which needs finesse as also flexibility can hardly be expected from an official organization, however well run. The contradictory pulls of political pressures at times may render it even more ineffective than plain bureaucratic thumb-twiddling. As such, it is of utmost importance that the buffer-stock system should only be introduced by taking into confidence the existing marketing channels, for otherwise the remedy may prove worse than the disease.

In order to maintain buffer-stocks which will have a steadying influence, the creation of a permanent buffer-stock authority is a major desideratum. The need for buffer-stocks arises out of two principal considerations :

- (1) In its price-support aspect, it buttresses and holds the price-line by mopping up surplus supplies and releasing greater purchasing power.

- (2) It ensures a smoother flow of supply and the stock-in-the pipeline is always a hedge against either a failure in supply or a sudden rise in demand.

The Indian Lac Exporters' Association started a buffer-stock as a support to its price control scheme, but this scheme is now held by the State Trading Corporation of India.

Obviously, an autonomous agency for operating the buffer-stock authority will have to be started, which must necessarily be a non-profit making agency other than the State Trading Corporation of India, consisting of a majority of trade

members. The State Trading Corporation of India should only be required to play a liaison role. After all, the Indian Lac Cess Committee has reserve funds amounting to over two million rupees, a part of which can be easily utilized for this purpose. Another source would be by levying a special cess of 50 naye paise per maund on exports. In addition, a loan from the Government of India could be secured by amortizing the proceeds of this cess. Even the State Bank of India would be prepared to grant a substantial advance, as lac has been included in the schedule of commodities on which an advance is permissible.

The creation of buffer-stocks will certainly lead to orderly marketing. Marketing in a competitive world market is a highly demanding job in which every skill will have to be employed. The need for the integration of marketing and manufacturing operations is obvious to meet the challenging world market. We have not to sell what we produce but produce what the markets need. If we have to make a mark in the markets abroad, we will have to produce goods in the quantity they need, of the quality they desire, and at prices which they are prepared to pay. Marketing is part and parcel of the larger problem of production, which has often behaved in an unpredictable manner, and unless we exercise greater imagination in grappling with this problem, our position will be insecure.

It is essential that marketing should be organized on scientific lines, so that the shellac industry is not consigned to oblivion by synthetic resins, which are becoming cheaper and more stabilized in prices. Shellac should be available in the world markets at competitive prices, and it should be free from rosin, orpiment, lac dye and animal refuse. Shellac must fight competition with stubborn determination, employing modern tools of marketing, so that it may continue earning valuable foreign exchange. Now that an Export Promotion Council for this commodity has been set up, we must hope that the Council will devote special attention to the marketing problem and streamline the marketing system.

Uses of Shellac, Lac Products and Accessories

Scientific investigations are opening out new marketing opportunities for a wide range of industrial products. As

It will be apparent from the above list that shellac finds innumerable uses in industry and there is no synthetic resin which can be used for such divergent purposes. So shellac will continue to hold its own in the world markets for many years to come.

Principal Marketing Outlets of Shellac

The principal marketing outlets of shellac can be classified thus :

1. Gramophone industry
2. Electrical industry
3. Varnish and paint industry
4. Felt hat, Hard hat, and Crape industries
5. Miscellaneous industries

Let us discuss these groups one by one.

1. *Gramophone Industry* : From 1895, when Emil Berliner perfected the shellac record, shellac was firmly associated with the gramophone industry of the world. Over one-third of the total consumption of shellac was utilized in this industry. The gramophone industry, in the days gone by, used to absorb about 10,000 tons of shellac. Its present consumption has dropped below 1,000 tons. The greatest fall took place in the American gramophone industry. In 1943, 25 per cent of the shellac imported into the United States went into the gramophone industry. By 1949, this was cut down to 2 per cent. It is almost zero now. Today, synthetics have completely replaced shellac in the entire U.S. gramophone record market.³ America developed far superior synthetic products and used them in her national gramophone industry. Each gramophone record made of synthetic resin plays for thirty minutes, while a record manufactured from shellac lasts only for the short duration of three minutes. What happened in America was repeated in Germany. As early as 1922, a successful attempt was made in Germany to produce a synthetic resin which could replace shellac. Germany consumes synthetic plastics in the manufacture of gramophones. These products have made serious inroads into the German gramophone record industry. Again, there is the astonishing invention of the Austrian 'selenophone'. These records

³ See *Export Markets for Indian Lac*, issued by the National Council of Applied Economic Research, New Delhi, 1958, p. 24.

consist of paper tape with the photographic musical score printed on them, and are a great improvement over sound gramophone records. In so far as the gramophone industry is concerned, India is also steadily losing the British market. Half the market has already been captured by synthetics. The other half is also likely to be lost within the next few years. Likewise, other countries in Europe have switched over to synthetics. India failed to read the writing on the wall.

As early as 1935-36, the London Shellac Research Bureau of the Indian Lac Research Institute, Ranchi, had expressed its apprehensions about the fast deteriorating situation in the gramophone industry in these words: 'In countries like the U.S.A. and the U.K., for instance, the gramophone trade is a dying trade.....Record manufacturers are ready with plans to employ substitutes such as cellulose, acetate, vinyllite resins and so forth.'⁴ India made no attempt to counteract this downward tendency by employing the modern tools of marketing. No effort was made to use 'high pressure salesmanship' techniques in order to arrest the process of decline of shellac consumption in the world gramophone industry.

India still consumes shellac in her national gramophone industry, but the total consumption does not go beyond 250 tons a year. She can definitely raise the internal consumption in the gramophone industry by concerted efforts, thus almost doubling the figure. This will be possible if efforts are made to win new markets for gramophones in the Middle East, South-East Asia, and other under-developed regions. With the rise in the standard of living in these areas, we can at least make good a small percentage of the loss by creating a demand for Indian gramophones in these markets.

2. *Paint and Varnish Industries*: This group of industries absorbs about 30 per cent of the total output of shellac. Shellac is considered to be the best resin for paints and varnishes, and owes its position to properties like hardness, flexibility and glosses, unequalled by any synthetics. The durability, resilience, transparency, and brilliance of products

⁴ See *Annual Report of the London Shellac Bureau, 1935-36*, p. 8.

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painted or varnished with shellac, are of a high order. Besides, shellac is non-toxic. What is more important is that it possesses excellent powers of adhesion to different surfaces. 'Shellac adhesives possess high bond strength to smooth surfaces, remain unaffected by ageing, and have a high resistance to attack by transformer oil and petroleum hydrocarbons.'²

Varnishes can be broadly classified under two main heads, namely, oil varnishes and spirit varnishes.

Oil varnishes contain a drying oil or resin, which creates films by the slow oxidation of the oil. Spirit varnishes are solutions of shellac in volatile solvents which, because of the quick evaporation of the solvents, leave a film of the shellac on the coated surface. Shellac is ideally suited for spirit varnishes, and has continued to remain unchallenged to this day.

The most common use of shellac remains in French polish, which is merely a solution of shellac dissolved in spirit, with the addition of a spirit-soluble dye of the desired colour. French polish is essentially a process of applying a quick-drying varnish by means of a pad or a piece of rubber. Although it is mostly used for wooden furniture, it can be used on metal and other things with success, giving excellent surfaces. No resin has hitherto been found which can enhance the natural beauty of wood or metal in the same way as shellac does. It is not necessary to plasticise shellac, since its complement of wax serves as a natural plasticiser. Moreover, shellac-based polishes are resistant to ultra-violet rays. The technique of French polishing was developed in France and the 'grand piano finish' represents its highest achievement. The discovery of this method marked an advance in wood finishing which, before the discovery, relied on oil varnishes and wax coating. Today, most of the quality products, consumer goods and industrial products improve their finish with the help of varnishes and paints done with shellac. Aeroplanes, petrol storage tanks and motor car bodies, as well as furniture and household equipment, are either painted or varnished. Although some use of pyroxilin varnishes and of lacquer is

² See *The Wealth of India—Dictionary of Industrial Raw Materials and Industrial Products*, Part I, 1942, p. 27.

being made at present, shellac still maintains a predominant position, being best suited for the purpose. An organized attempt at conducting publicity on the superiority of shellac over its synthetic rivals would bring about better results in this direction.

3. *Felt Hat, Hard Hat, and Grape Industries* : These industries utilize shellac to the extent of 10 per cent of the total consumption. Felt hats get their stiffness as well as their flexibility as a result of a special treatment with a solution of shellac and borax. Again, hard hats acquire both stiffness and hardness owing to the fact that shellac possesses excellent hardening qualities. Grape industries use shellac widely, though synthetics are threatening shellac in this field. However, synthetic resins have not made any deep inroads. If shellac desires to maintain its supremacy, adequate publicity and well-directed market research will be needed. In this and several other directions, we should turn our attention to achieving increased consumption of shellac.

4. *Electrical Industry* : Shellac has been used in the electrical industry for many decades owing to its excellent dielectric properties, its freedom from tracking, its thermo-plastic properties, and, above all, its good adhesion. It is used in conjunction with marble powder and zinc oxide for basing electric light bulbs and wireless valves. Recently, America and certain countries in Europe have begun using synthetic in preference to shellac in the electrical industry, though the world consumption of shellac in this line is still of the order of 5 per cent. That the use of shellac in this particular industry is receding into the background will be clear from the following illustrations.

In England, many large electric bulb works gave up using shellac as an ingredient in basing cements in favour of synthetic resins, which were found to give a better performance. The United States, too, quickly replaced shellac with synthetics in the electrical industry. Even in India, certain electrical undertakings have abandoned the use of shellac. Germany has also begun to discard the use of shellac in the electrical industry, though not to the same extent as England and the United States have done. In other countries also, synthetics are now doing many of the jobs formerly done by

shellac. The reason for this is not far to seek. The attitude of the shellac trade was : this is the best we can do, take it or leave it. It did not care to resort to scientifically planned marketing or bother to cater to the varying requirements of the market. However, there is still time to rectify past mistakes, so that this valuable marketing outlet may be retained.

5. *Miscellaneous Industries* : The balance of 30 per cent of shellac is absorbed in numerous industries all over the world. Shellac possesses a remarkable combination of valuable properties, and is widely used in many products of a commercial and industrial nature. Laminated boards, paper boards, grinding wheels, and shellac plastics represent the more important products ; while sealing wax, shellac stiffeners for the toes and soles of shoes, photographic processes, playing cards finish, toys, cosmetics, confectionery, medicinal drugs, book-binding cloth, printing inks, ceramic inks, bangles and filling for goldsmithy, and mirror backing represent the less important products.

It is now being increasingly realized that lac and shellac should be utilized more in miscellaneous industries. The consumption of shellac should multiply in India itself, so that any losses in the export markets may be wiped out. The problem of the larger consumption of these products in the home market must be faced in the context of the shrinkage of the world market. This is the best way of securing a new lease of life to the Indian lac industry which otherwise is likely to suffer an inglorious death.

Increased Home Consumption of Lac and Shellac

A nation has to work out its inner potentialities by experimenting. In a system in which profits from production are closely linked to marketability of goods, it is clearly necessary that the goods marketed should be profitable. For bringing about increased use of lac and shellac inside the country, we must start a good number of industries. There is no difficulty in creating any number of lac products and accessories, but the difficulty arises as soon as the question of marketability of such products is taken into account.

Commercialization of a product is an extremely difficult task. Two major factors have to be reckoned with before

undertaking the production of new goods. One is to find out the potential market for the goods. The other is to work out the cost economics of such goods. Only when these two conditions are favourable, can production of the goods be undertaken. Here the State can do much for the fulfilment of such a production programme.

A cardinal principle of Government policy should be to extend all reasonable help to such industrial ventures as would enable them to increase their competitive efficiency, and thereby ensure the people's participation in the functioning of a planned economy. Under such conditions, goods produced by these small manufacturers can be easily marketed both at home and abroad. Fortunately, the Government of India have shown sufficient awareness of this by encouraging small units in different ways. At present, a small unit is defined as one with the total investment not exceeding Rs. 5 lakhs irrespective of the number of persons employed. This limit of Rs. 5 lakhs is, however, raised to Rs. 10 lakhs in the case of units working as ancillaries to large-scale units and producing parts and components for specified groups of industries, such as industrial and agricultural machinery, electrical machinery and radio. To such units, the Government gives a price preference up to a maximum of 15 per cent for the purchase of goods, besides supplying a large number of free tender sets and specifications through the National Small Industries Corporation, and accepting their tenders without security deposit if their competency has been certified by the Corporation. The State Bank of India, for its part, has put into operation a 'liberalized credit scheme' for financing these small units.

In a country like India with an ever-increasing population, with its inevitable concomitant of the malaise of unemployment, the significance of the role of small-scale industries would continue to remain unabated for a long time. The Planning Commission assigned a significant role to these industries under the Third Five-Year Plan. 'Village and small industries have made a significant contribution in the First and Second Plans in realizing the objectives of expanded employment, larger production and more equitable distribution. With the larger dimensions of the tasks to be accomplished in the Third

Plan, their role will be even more important.¹⁶ Truly, the development of small-scale industries will have an important bearing on the success with which India meets the challenge she now faces. The extension programme of these industries is among the most significant features of the Indian economy. Our small-scale industries extension programme, like the community development programme, has broken fresh ground. The idea was born out of experience gained in similar spheres in foreign lands, but we have made it wholly Indian in content. Against this background, it should not be difficult for a few enterprising men to come forward and start a few indigenous industries, where shellac is wholly or in part required in the manufacturing processes. It may be necessary in some cases to run them on co-operative lines and avail of the special facilities afforded to the co-operatives by the Government. The co-operative movement as a 'balancing force' between the contrary pulls of the private and public sectors offers the country a splendid opportunity to build a genuine democratic society.

New ventures are necessary for creating opportunities for employment. Our markets are at our doorstep. A little constructive planning would solve the problem. It is the smaller things that go such a long way in bringing about the final solution of a country's greater problems.

Let us consider how a few industries for lac products and accessories can be started so as to increase the consumption of lac and shellac inside the country.

Select Group Study of Lac Products and Accessories

The sound, efficient and proper utilization of the country's raw materials is the first step towards successful industrial development. Described below are half-a-dozen potential industries, which can be developed if there is the urge for progress, and thus more lac and shellac can be utilized within the country of its origin.

The first accessory industry to be studied is the house-partition and roofing industry. India is busily engaged in building houses, particularly for industrial workers, and the Government of India are making great efforts in this direction through the

¹⁶ See *The Third Five-Year Plan*, 1961, p. 426.

Ministry of Works and Housing. Lac and jute are both grown in India, and both are facing marketing difficulties in their own ways. It would be a happy idea to combine the two by producing jute lac for building construction.

Quite good and cheap house-partitions and roofing material can be made from lac in combination with jute by sandwiching lac between layers of hessian. A jute lac roof with supporting sides built on a wooden framework can withstand the rigours of the Indian climate. Here is a good chance for the two industries to combine their efforts and manufacture jute lac for house-partitions and roofing purposes. Jute lac was in use in the period before 1947 when jute was abundant, but after Partition, there was an acute shortage of jute and none could be spared for this purpose. Jute lac is at present practically obsolete. Now that jute is again plentiful and its price has to be supported by buffer-stock purchases, the revival of jute lac is a feasible proposition.

The Government of India should consider building a model factory. A market for the products of such a factory would be assured owing to the house-building activity going on at the State level. Private factories could also be encouraged by assuring them of an easy supply of raw materials and helping them in diverse ways under the various schemes. Even partnership with the Government in such factories should not be ruled out. Here the example of Japan may prove of much value. The secret of her success lies in the joint efforts of her Government and her people, engaged in a quest to discover new uses for the raw material through research, rationalization in the manufacturing processes, and marketing methods in the pursuit of industrial development.

Another accessory industry with good prospects is the toy industry. The development of this industry with lac as the basic raw material is easily possible. The toy industry has a vast market potential. Unless we acquire an insight into child psychology, we cannot advance. Children want not merely to look at beautiful little toys, but to play with them by pressing, pushing, swinging, rolling, pulling and banging them. They sometimes feel like marrying off two toys of similar nature, but of differing sexes. The toys should therefore be strong, properly painted and beautifully finished.

Painting, which should be non-poisonous, is quite possible with lac.

Japan used to manufacture beautiful little toys from gutta-percha until the last war upset her economy. In India, we are manufacturing most of the toys in villages. What is required is the development of this industry on modern lines, so that larger markets, both here and abroad, may be captured. But unless we study modern technique of manufacture and obtain first-hand knowledge in the field of marketing, it will be difficult to achieve success. With Government help, we can go ahead. A few model factories should be opened by the Government. A large number of students may be sent abroad for training, preferably to Japan. These steps are designed to help in the establishment of the modern toy industry in India. We can extend the co-operative marketing system for sociological as well as practical reasons.

Another industry which can make good progress under favourable conditions is shellac plastics. At present casein plastics are finding the largest applications in the manufacture of buttons, buckles, knitting needles, combs, beads and cigarette holders. All these accessories can be easily produced from shellac plastics. The Ranchi Institute has discovered that shellac plastics can be a better substitute. These accessories can be produced both in small cottages and in small-scale units. The workers of such factories can live with their masters as members of the same household, as they do in Japan in respect of many small-scale industries. Goods produced by them can be assembled together at a central station, from where they may be exported. Here, too, the co-operative marketing system would be both desirable and practicable.

Yet another industry with good marketing possibilities is the grinding wheels industry. Grinding wheels are manufactured by the incorporation of abrasive powders in molten lac, and shaping the composition while still hot and plastic. In engineering industries, grinding wheels are a necessary adjunct. Since the Government of India have accepted the policy that small-scale industries in India should develop as ancillaries and feeders to large-scale industries, it is possible to develop these industries with greater speed. The development

of this industry would mean a wider use of lac in our country. Grinding wheels of good quality, finish and variety, manufactured experimentally at the Ranchi Institute, prove that this industry can thrive without difficulty. The Institute would be prepared to offer technical advice and solve any particular difficulty which an intending manufacturer may be confronted with in the manufacturing process. Everything considered, there is a bright future for this accessory industry, but government-aid would be necessary in the initial stages. It can be secured with ease under several schemes launched by the Government.

Again, the micanite goods industry can also be successfully started in India. Lac and mica, the raw materials for micanite goods, are available in the country. It is well known that Germany, which produced micanite goods on a large scale in pre-war years, had to import both lac and mica. It is for Indians to take up and develop this industry, the raw materials for which are plentifully available inside the country.

The last industry in the select group is that of moulding powders. Although shellac-formaldehyde urea moulding powders can be produced at cheaper rates than bakelites, our difficulty consists in having to import urea and formaldehyde. Until such time as these two chemicals are manufactured in India, the introduction of these powders in the market will become possible by utilizing milk casein as a substitute material. The Ranchi Institute is convinced that good moulding powders can be manufactured at low prices in India from milk casein in combination with shellac. We can even import urea and formaldehyde as industrial raw materials and get the benefit of concessions extended by the Government in importing industrial raw materials which are essential for manufacturing goods in the country. There is good scope for the development of this industry, provided a few manufacturers come forward and start operations on a small-scale basis. They can obtain government-aid under the several schemes provided for the benefit of small-scale units, including loans under the State Aid to Industries Act/Rules.

All these industries manufacturing lac products and accessories can obtain marketing assistance and organizational support from the National Small Industries Corporation, which

was set up on 4th February, 1955 by the Government of India to provide, *inter alia*, marketing facilities for the products of small-scale industries. Furthermore, the Small-Scale Industries Board can render useful advice if it is approached. Ever since its establishment on 22nd December, 1956, it has proved extremely useful to the Government of India and the State Governments in solving the pattern of development for small-scale industries.

It is to be hoped that intending manufacturers will seek technical advice and marketing assistance from government institutions in order to promote these industries, for only by taking bigger strides in the programme of small-scale industrialization can we hope to reduce unemployment in the country. As the emphasis in the Fourth Five-Year Plan (1966-71) will necessarily be on the development of small-scale industries which will create an adequate employment potential, it is time that a progressive build-up of such industries is initiated immediately, so that the fullest advantage may be reaped at the proper time.

Conclusion

The lac manufacturing industry is of considerable economic importance to India, capable of providing substantial employment. From the manifold uses to which lac is put, and may be put in future, it is evident that it holds a safe place in world markets, despite the many challenges now offered by synthetic resins. The battle is far from lost, but this industry must fight its battle with the same weapons of marketing as are used by the synthetics industry. It should also diversify its products, so that the markets may be widened.

The Planning Commission wants to increase the production of lac by 24 per cent under the Third Five-Year Plan, which means that greater efforts are needed to absorb increased quantities of shellac, both at home and abroad. At home, we should create a number of auxiliary industries producing lac products and accessories ; and abroad, we should intensify our efforts by suitable propaganda and market research, so that there occurs no shrinkage in the consumption of shellac in the world markets, and the ground currently lost is permanently regained.

Let us hope that the lac manufacturing industry will not be neglected any longer, and that both large-scale and small-scale units will be promoted in the country. This will lead to the manufacture of a great variety of lac products and accessories at economical prices, which would find suitable markets at home as well as abroad. We must also hope that the marketing problem will be kept to the fore in the overall scheme of expanding activities, for what is produced must necessarily be consumed, so that the flow of production may continue unhampered. Obviously, the marketing methods of a bygone age cannot succeed today. Actually, the pendulum seems to have swung definitely to the side of scientific marketing. As such, the methods of marketing have undergone a series of metamorphoses for creating the effective framework of a modern economy. This industry, too, will have to absorb the latest ideas on marketing because of the breath-taking speed with which synthetics are being developed throughout the world. This development demands new responses in the domain of marketing so as to find newer ways for meeting the stresses of the new era in so far as the products of this industry are concerned. It need not be emphasized conclusively how important a system of marketing is for the preservation of the soul of production. Marketing is the necessary complement of production and the efficiency of marketing will have to be increased to avert a disastrous maladjustment between production and consumption.

CHAPTER TWELVE

MARKETING OF INDIAN COTTAGE PRODUCTS AND HANDICRAFTS

Indian Handicrafts and European Trading Companies

Before the emergence of the European countries as producers of mechanized manufactured goods on a large scale, Indian handicrafts were well known the world over for their exquisite quality and excellent workmanship. Indian commerce in those days was in a flourishing state mainly because of Indian handicrafts. In addition, the presence of a large entrepôt trade in such items as pearls from Ceylon; gold from Tibet, Burma and the Golden Chersonese (wherever that may be); precious stones and spices from the islands of the Indian archipelago ; silk and porcelain from China ; were all brought into the Indian ports, to be thence re-exported to the countries of the West, leaving us a handsome margin of profit. The existence, however, of an entrepôt trade could not have been possible in those days, without the necessary concomitant of a considerable fleet of merchantmen for transport by sea and mighty caravans for similar office by land. And there is ample evidence to show that Indians of all ages since the earliest dawn of history have been great carriers by land as well as by water. Therefore, the marketing development in ancient days of our country was considerable, judged by the standards of those days. This was made possible because of the Indian handicrafts which formed the fulcrum of Indian commerce, thanks to Indian kings who evinced tremendous interest. In a classic passage of the Artha Shastra, Kautilya¹ lays down :

आकरकर्मन्तद्रव्यहस्तिवनम्रजवणिक्पथप्रचारान्

वारिस्थलपथपण्यपत्तनानि च निवेशयेत् ।

मत्स्यद्वहदितपण्यानां सेतुषु राजा स्वाभ्यं गच्छेत् ॥

In the background of these developments, Indian handicrafts captured world markets. They held their own in foreign markets far beyond their shores. The remarks of the

National Planning Committee bearing on this problem are well worth reproducing : 'At a time when the West of Europe, the birth-place of the modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for the high artistic skill of her craftsmen. And, even at a much later period when merchant adventurers from the West made their first appearance, the industrial development of this country was at any rate, not inferior to that of the more advanced European nations.'¹ The very fact that European traders came to India for Indian handicrafts with the intention of placing them in world markets is a proof not only of their excellence but also of the widespread demand for them. Indian cottage products and handicrafts continued to meet the demands of the international market until the advent of modern industries in the West.

The establishment of the British, the French, the Portuguese, and the Dutch Trading Companies on Indian soil may be attributed to the inherent marketing strength of Indian manufactured goods, which could be marketed quite profitably in the European markets. The readiness of the Indian rulers to enter into treaties with the Europeans made the establishment of commercial relationships and marketing connections possible. There was, however, great commercial rivalry among these European traders. History shows that the British ultimately gained the upper hand by gradually ousting other European traders.

Under monopolistic conditions, the East India Company found the marketing of Indian cottage products and handicrafts in the European markets extremely paying. Marketing did not present any difficulty to the British. They merely assembled Indian products, and sent them to European markets, where they were sold at exorbitant prices. Supply had difficulty in catching up with demand. European customers, too, eagerly awaited the arrival of Indian cottage products and handicrafts in the markets. James Wilson's statement of 1st February, 1860 as Finance Member of the Supreme Council of India recalls: 'Almost everything she (India) produces is in constant and boundless demand in Europe, and almost

¹ See *National Planning Committee—Rural and Cottage Industries*, 1948, p. 25.

every article of importance required in Europe is to be found increasing in India.² Conditions, however, changed greatly at a later stage, so much so that flogging, imprisonment, and fines began to be inflicted on Indian craftsmen by the agents of the Company in order to ruin the Indian cottage industries.

The British Industrial Revolution and the Collapse of Indian Cottage Industries

The East India Company reversed its policy of encouraging Indian cottage products and handicrafts after the effects of the Industrial Revolution had acquired stability and strength. The scales were turned heavily against India. Indian artisans were forced by coercive methods to divulge their trade secrets for building up the prosperity of Great Britain. With extreme rapidity, British manufacturers captured the European markets, going ahead of France, Holland, Germany and Spain, which were till then among the leading nations of Europe. Indian cottage industries were starved owing to lack of markets, first in Europe, and later on in India itself. These industries ultimately collapsed, as production could not be carried out without adequate facilities for disposing of the finished goods.

The Revival of Indian Cottage Industries

Almost coinciding with the collapse of these cottage and handicraft industries, a series of devastating famines and other natural calamities overtook the country. The economic condition of India reached such a low ebb, that the British realized that unless something definite was immediately done for improving the economic conditions of the masses, their stay in India would be unprofitable. In the circumstances, the government of the day was compelled to give up its open door policy of *laissez-faire*. It was considered necessary for India to be partly industrialized. The process of industrialization was obviously to be confined to the production of consumer goods alone. A separate Imperial Department of Commerce and Industry, with Sir John Hewitt as the head, was created in 1905 by Lord Curzon, the Viceroy of India. Indian leaders and economic thinkers thought that the

² C. H. Philips, London, 1961, 1; 1, *The Evolution of India and Pakistan*, Volume IV,

production of consumer goods was of little avail to the country as such. A more effective solution for the eradication of chronic poverty and unemployment could be found in the development of cottage and handicraft industries. This would create a self-reliant economy. The country would not find itself at the mercy of the British for capital goods and machinery. This marked the turn of the tide in favour of cottage and handicraft industries. These industries later came to occupy a definite place in the political agitation, which was led by Mahatma Gandhi. The marketing of their products was assured owing to the political fervour which gripped the masses.

A spirited effort was made in the country to rejuvenate Indian cottage industries. The marketing of their products was to be promoted through the cult of *Swadeshi*. This came at a time during the marketing history of India when anything manufactured abroad had a magic influence on the mind of the Indian consumer, particularly if he happened to be rich and educated. Goods manufactured abroad were considered vastly superior to Indian manufactured goods. Goods made in India were looked down upon by Indians themselves. It was considered below the dignity of Indian consumers, at any rate amongst those claiming better taste and a bigger purse, to buy Indian manufactured goods. In such a context, nothing was more important from the standpoint of marketing than touching national pride. The *Swadeshi* Movement created a ferment in the minds of Indians, so much so that British goods were not only discarded, but even burnt on a large scale. In the circumstances, cottage and handicraft industries found ample scope for capturing the home market, but owing to lack of planned marketing, these goods failed to retain a permanent hold over a large part of the home market which went over to the machine goods produced domestically. The Planning Commission have now encouraged their resuscitation under a planned economy, so that their marketing development can take place alongside that of large-scale production, in the role of ancillaries and feeders. They are not to develop only with the object of filling up crannies and crevices left by the large-scale factory industries, but they have been assigned a vital and important role in the overall scheme of industrial production.

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² C. H. Philips (General Editor), *The Evolution of India and Pakistan*, Volume IV, London, 1962.

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Import and Scope of Cottage Industries

There is a wide divergence of opinion on the import and scope of cottage industries. For the present, all units employing nine or less workers per shift are categorized as cottage industries, irrespective of the fact whether they use power or not. Shri Viswanathan Tekumalla defines cottage industries in these words : 'Cottage industries are industries where artisans not exceeding nine per industrial unit find employment in urban or rural areas either as independent workers or apprentices or assistants in or at their own or their employers' homes or as wage-earners in small *larkhanas* and work with capital, limited in practice but not in theory, adopting at times a simple and harmless division of labour and employing such hand or power-driven machinery as does not interfere with the utility and art value of the products, whose market, is by no means merely local.' This definition, being comprehensive, meets our requirements. In Japan too, cottage industries are generally understood to be those small-sized industries which employ the same number of workers, using power, and are run by families either on their own, or with the help of hired workers who live almost as members of the employing family. The manufactured products of these Japanese industries are collected, finished and marketed by large-scale organizations. The linked system of production is widely prevalent in Japan. Indian cottage industries should also be organized somewhat on the lines of the Japanese ones so that they might acquire marketing strength.

Cottage industries form an important constituent of the Indian economy. About 20 million persons are engaged in these industries, and their output, according to the National Income Committee, amounts to Rs. 910 crores. As such, cottage industries merit an important place in the Indian economy. Their development, based on organized marketing, would further strengthen the sinews of the nation.

Common Production and Marketing Programme

Some economists think that the Government's policy of encouraging the development of cottage and handicraft

³ Messrs. V. R. Chitra and V. Tekumalla (Editors), *Cottage Industries* Section I, p. 51.

industries is an instance of their addiction to antediluvian economics. This is not a new thesis, being one of the basic precepts of current economic teaching. But it ignores wholly the concepts of an under-developed economy. This thesis has been advanced on Western economic conditions. Such an attitude only shows that these economists do not care to understand the real implications of the Indian economy where agriculture is the mainstay of the bulk of the people. They are excessively influenced by advanced economic theory.

A nation which depends exclusively on agriculture for its livelihood relies, so to say, on a broken reed. Exclusive dependence on agriculture in modern times cannot ensure economic stability. 'A nation which exchanges agricultural products for foreign manufactured goods', said Friedrich List, 'is an individual with one arm.'⁴ This German doyen amongst economists had the gift of understanding the basic weakness of a country which exchanges its agricultural products for another country's manufactured goods. Germany became a first-rate power chiefly because of her marketing progress in the line of manufactured goods, both industrial and consumer. India, too, will have to evolve a system of marketing suited to her peculiar needs in the present-day world. By adopting a common production and marketing programme for both large-scale and cottage industries, we shall generate a great marketing power and thus strengthen the Indian economy.

A more thorough analysis would reveal that large-scale industries alone cannot fully solve the problems peculiar to India. India needs labour-absorbing devices. Ours is an under-developed economy. In such a situation, cottage and handicraft industries should act as ancillaries to large-scale industries in the scheme of total industrialization. We have to diminish the area of conflict between cottage industries and large-scale factory industries in the planned economy. We must develop this conceptual relationship. It is a matter of gratification that in the Industrial Policy Resolution of the 30th April, 1956, reference was made to the policy of supporting cottage industries, by restricting the volume of production of

⁴ Friedrich List, *National System of Political Economy*, p. 130.

large-scale factories, either by differential taxation or by direct subsidies. The scope for the development of cottage industries has therefore been considerably widened. Only by the adoption of the common production and marketing programme of these two types of industries, can we direct the economy to bring about the harmonious development of the country, in the context of the peculiar geographical and economic circumstances which condition our economic life.

It would be useful to examine the marketing problem of a few of the more important cottage and handicraft industries.

Handloom Industry

The handloom industry is by far the largest single cottage industry, with 2,851,685 handlooms, providing employment to about 7.5 million people. This is a much bigger number than that of all the large-scale factory industries, both in the public and private sectors put together. This in itself is a pointer to the importance of the handloom industry in the Indian economy.

The handloom industry is widely scattered all over the country with Madras at the top and Delhi at the bottom. So great has been the interest of the Government of India for the orderly development of this industry, that a policy of reservation has been systematically pursued. For example, the Government of India banned the production, both for the home and overseas markets, of coloured woven check cloth and 'lungis' by the cotton mills, so that the handloom fabrics of these varieties of cloth should face no special marketing difficulties.

A turning point in the marketing history of the Indian handloom industry was reached when the All-India Handloom Board was constituted under Government resolution No. 48 (23)-CT (A) 52, dated 25th October, 1952. Within a few months of the establishment of the Board, a scheme for the internal marketing of handloom cloth was evolved. Accordingly, a central marketing organization was established in 1954. Later on, two zones were created; one at Madras and the other at Varanasi. While the Madras zone looked after the south, the Varanasi zone performed a similar task for northern India. Today, the central marketing organization has grown into a mighty organization with regional offices

at Madras, Bombay, Varanasi, Gwalior, Calcutta, Nagpur, Hyderabad, and Trivandrum. This organization has been tackling the marketing problem along well-directed lines. It has also conducted sample surveys of the handloom industry in different centres with a view to assessing general market conditions. These surveys have yielded valuable results, and the application of their findings in the field of marketing has led to tangible improvements in internal marketing conditions.

The exporting of handloom products has also not gone unheeded. An external marketing scheme was drawn up by Shri J. C. Ryan, which became the cornerstone for future policy. In pursuance of this scheme, four handloom cloth marketing officers were appointed in 1954. Furthermore, sales emporia were opened in Colombo, Aden, Singapore, Bangkok, Rangoon, Karachi and Chittagong. Our trade representatives have been instructed to arouse the interest of the local population in Indian handloom fabrics. The central marketing organization has been sending the Indian embassies samples of those quality goods constantly in demand. These samples are sent to those countries which are not covered by the external marketing scheme. Because of these concentrated efforts, the foreign markets are becoming better informed about handloom fabrics and this results in greater sales.

It will thus be seen that handloom products receive full attention from the Government of India and that their marketing is conducted on scientific lines both at home and abroad. Today, the handloom industry produces about 1,600 million yards of cloth, valued at Rs. 100 crores. The Textile Enquiry Committee of 1958 was so greatly impressed with the importance of the handloom industry that it urged upon the Government to give it all-out support. This is what the Committee said : 'We would also urge that the positive assistance designed to enhance the efficiency and improving the quality of the products of the handloom sector should be pursued with even greater vigour than at present, so that this sector may continue with increasing strength to the Textile Industry as a whole.'⁵

⁵ See *Report of the Textile Enquiry Committee*, 1958, p. 18.

Khadi Industry

Mahatma Gandhi, with his powerful advocacy, gave a lead to the country for the wearing of hand-spun and hand-woven cloth, called *khaddar*. The products of the khadi industry, with which are associated the emancipation movement of the Indian masses, culminating in Indian independence, are patronized by rich and poor alike. In order to give a fillip to the khadi industry, the All-India Khadi and Village Industries Board was set up in February 1953, for the production and the marketing development of these industries. As if this step would not suffice to achieve the objective, the Khadi and Village Industries Commission was set up with adequate executive powers in 1957 by an Act of Parliament. Thus certain procedural difficulties were overcome for the proper development of the khadi industry. The functions of the Commission prescribed by the Khadi and Village Industries Act are generally to plan, organize and implement programmes for the development of khadi and village industries and, in particular : (a) to plan and organize the training of persons engaged in the production of khadi and village industries ; (b) to build up a reserve of raw materials and implements and to supply them to persons engaged in the production of khadi and village industries at such economical rates as may be suitable in the opinion of the Commission ; (c) to provide for the sale and marketing of khadi or of products of village industries ; (d) to encourage and promote research in the technique of production of khadi or in the development of village industries or to provide facilities for a study of the problems relating to khadi or village industries ; (e) to maintain or assist in the maintenance of institutions for the development of village industries ; (f) to undertake, assist or encourage the production of khadi or the development of village industries ; (g) to promote and encourage co-operative efforts among manufacturers of khadi and persons engaged in village industries ; (h) to ensure the genuineness of, and to grant certificates to producers of or dealers in, khadi or the products of any village industry ; and (i) to carry out any other matter which may be prescribed.

Marketing is the crux of the problem of the khadi industry. It is the main switch of all manufacturing activities. Much,

therefore, needs to be done in the sphere of marketing. It has to be tackled with dogged determination. It is the paramount duty of the Government to support this industry by providing the necessary stimulus to its manufactured products, so that they are not hampered by the inherent weakness arising from non-standardization, lack of brand names, etc. So long as our country continues to have an under-developed economy with the menace of unemployment, it is incumbent on the part of the Government to nurse, foster and develop this industry by various methods, so that its manufactured products may draw fresh air into their lungs. Recently, the All-India Khadi and Village Industries Board adopted several measures to improve the marketing strength of khadi products. Again, the Third Five-Year Plan (1961-66) accepted that the development of khadi, etc, should fit in with the concept of 'Naya Morh' so as to transform the Indian village into a community of interest based on unity of purpose and objective. The 'Naya Morh' signifies the adumbration of methods and activities to bring about an integrated development of rural economy. It has been proposed to organize 3,000 integrated centres (*Gram Ekais*), each covering a population of about 5,000 for the development of which comprehensive schemes are being prepared at present. Thus the khadi industry holds the key to mitigate the rigours of unemployment and under-employment in the Indian economy. According to Mahatma Gandhi, 'Khadi is the sun of the village system.' Indeed, Gandhiji had penetrated into the secret of the poverty of India when he advocated khadi as the most effective weapon for relief of unemployment. He found a never-failing remedy in khadi in an under-developed economy like ours so as to cure its ills. Here, as in several other departments of human activity and thought, perhaps '*Simplicitas sigillum veritatis.*' And the Westerners who are used to complexity in all walks of life fail to understand the very simplicity of Mahatma Gandhi's scheme. Be that as it may, this industry is being accorded pride of place in the country's rural economy so as to bring about a complete social transformation.

Each phase of khadi development raises new problems and offers new possibilities for action. The Government has been extremely solicitous in respect of khadi products and, as such,

these products have gained in strength in recent years. Planning has been introduced in respect of khadi products on a comprehensive scale which is as regular and systematic as it is thoroughgoing. The Government of India have deliberately accorded specially favourable treatment for the bulk purchase of khadi products on the part of their various departments. The State Governments have also followed suit. There is a directive that Government departments, both at the Centre and in the States, must popularize the use of khadi amongst Government departments, and also amongst officers of all classes. These measures have been necessitated by the fact that ordinarily these products cannot compete with mill-made products, and unless preferential treatment is given to the khadi industry, it might languish.

Khadi is wholly dependent upon the internal market. The khadi industry has provided work, and some money, to the under-employed masses of the country in their spare time. This is one significant method of increasing the purchasing power of the masses, whose indebtedness has been reduced, and sometimes even liquidated.

There is good reason to believe that the contribution of the khadi industry will be much greater after the more widespread adoption of the *Ambar Charkha*, and that greater attention will be paid to the marketing of khadi in the years to come. The remarks of G. D. H. Cole are well worth recalling: 'Gandhi's campaign', says Cole, 'for the development of the home-made cloth, *khaddar*, is no mere fad of a romantic age to revive the past but a practical attempt to relieve the poverty and uplift the standard of the Indian villager.'⁶ Because of the encouraging attitude of the Government, the value of khadi increased from Rs. 1.3 crores in 1950-51 to over Rs. 5 crores in 1955-56.⁷ The production of khadi increased from nearly 7 million yards in 1950-51 to about 48 million yards in 1960-61.⁸ This figure is expected to go up to about 160 million yards by the end of the Third Five-Year Plan in 1965-66.⁹ Already, khadi has reached over one lakh villages, out of 565,000 villages in India.

⁶ G. D. H. Cole, *A Guide to Modern Politics*, 1934, p. 292.

⁷ See *The Second Five-Year Plan*, 1956, p. 430.

⁸ See *The Third Five-Year Plan*, 1961, p. 430.

⁹ *Ibid.* p. 441.

Village Industries

It was at the 48th session of the Congress, held under the presidentship of Dr. Rajendra Prasad, that a historic decision was taken for the formation of the All-India Village Industries Association with Dr. J. C. Kumarappa as the organizing secretary and Mahatma Gandhi as the president. This central organization was located at Maganvadi, near Wardha in Madhya Pradesh, on land given by the late Jamnalal Bajaj as a gift. A visit to Maganvadi clearly indicates that the late Dr. Kumarappa had applied himself seriously to the task of reviving village industries. Dr. Kumarappa's good work is being carried on admirably at Maganvadi by a devoted band of social workers.

India's rural economy can only be strengthened at the base if these industries are actively encouraged in diverse ways, raising the per capita income of the rural sector. The average income of an agricultural labourer's family, consisting of five members, is only Rs. 447, i.e., about Rs. 90 per head, as against the national per capita income of Rs. 265·2, according to the report of the Agricultural Labour Enquiry Committee of 1954. In actual fact, the report of the Second Agricultural Labour Enquiry Committee (1956-57) which was published by the Government of India towards the end of 1960, indicated deterioration in the economic position of agricultural labour. It seems that the conclusions of the two enquiries are not strictly comparable because of sampling and other differences. Although no further enquiries have been conducted so far in this respect, all indications point out that this income has not gone up appreciably in recent years, though the national per capita income has gone up considerably. Thus the rural economy remains a danger spot in the national economy. Just as the time strength of a chain lies in its weakest link, so also the economic strength of India can only be as great as that of the rural economy itself. In its First Five-Year Plan, the Planning Commission rightly recommended that wherever a large-scale industry competes with a cottage industry, the appropriate course to adopt would be to formulate a common production programme by such means as (1) the reservation of spheres of production,

(2) the non-expansion of the production capacity of a large-scale industry, (3) the levy of a cess on the large-scale industry, (4) arrangement for the supply of raw materials, and (5) the co-ordination of research, training, etc. In actual practice, all these measures merely remained on paper, barring a few exceptional cases including the provisions for the handloom industry. But the Second Five-Year Plan was bolder in its approach, for its authors envisaged an intelligent study of marketing, so that solid results could be obtained. Says the Commission : 'Marketing research provides the basis of knowledge and information for shaping and properly orientating the production programmes of the various industries. Such research can be organized either by a series of *ad hoc* investigations or can be combined with schemes of research or marketing. The object in both cases, however, would be to make a close study of the needs and tastes of consumers, consumer behaviour towards competing products and services, changes in prices and their influence on demand, etc. This is a field in which not much work has been done so far. It is suggested that studies in respect of the marketing of the more important products of village and small industries may be undertaken and on the basis of results obtained, the scope of marketing studies can be gradually extended.'¹⁰

The Third Five-Year Plan shows a similar awareness of the importance of this matter. It says : 'In the last ten years, large programmes of assistance have been organized for these industries and considerable support has been given to them through provision of loans, subsidies, technical and marketing advice and, in some cases, through reservation of spheres of production. In the latter part of the Second Plan, marketing conditions for some of the small-scale industries improved markedly following the intensification of import restrictions. The need for these restrictions may not continue indefinitely. Moreover, with the supply of electric power over large areas of the country, improvements in means of transport and communications, use of modern machines and techniques and the general advance of science and technology, the entire economy is being transformed. The problems of village and small industries, therefore, need to be constantly

¹⁰ See *The Second Five-Year Plan*, 1956, p. 438.

reviewed and necessary measures taken to realize the full potential of decentralized industry as an essential and continuing element in the national economy.¹¹ There can be no doubt that one of the most important of these measures is a detailed, scientific study of marketing of the products of cottage industries and handicrafts. The problem of marketing will continue to manifest itself. If tackled properly, it will stimulate the growth and development of the products of these industries. Marketing is the essential postulate of production. It is therefore imperative that these industries should pursue the problem of marketing with determination, no matter how difficult is the task.

Since the Planning Commission has now manifested the need for a correct understanding of the marketing problem in order to give impetus to increased production of these industries, we must hope that marketing studies will be undertaken in the larger interest of enlarging the apparatus of production of these industries. Only after such a state of affairs has been brought about, shall we have a more balanced and integrated rural economy. An outlay of Rs. 264 crores has been provided in the public sector for village and small-scale industries during the Third Plan period as against Rs. 175 crores spent in the Second Plan period. Investment in the private sector in these industries during the Third Plan is estimated at Rs. 275 crores.

The need for a detailed study in marketing is greater in cottage industries than in large-scale industries, if only because the products of cottage industries are manufactured at numerous points and despatched in 'smalls'. The main problem of village industries in India is neither financial nor technical but one essentially concerned with marketing. As such, it must be studied with thoroughness if the best results are to be achieved.

Handicraft Industries

India has many handicraft industries, and they enjoy a world market. These are small-scale cottage industries, which are spread all over the country. Aligarh has specialized in the lock industry, Madras in leather handicrafts, Moradabad in brassware enamel products, Srinagar in shawls, Varanasi in

¹¹ See *The Third Five-Year Plan*, 1961, p. 427.

prints, sports goods, Meerut scissors, Varanasi brocades, and Mirzapur carpets, has increased the marketing strength of these handicrafts. It therefore strongly recommended the widespread introduction of the scheme on a country-wide basis in the interest of the marketing development of the handicraft goods. The Board has also improved the marketing potentialities of these goods through sales promotional activities including advertising campaigns. It has, finally, participated in exhibitions, both at home and abroad.

The Board has thus been a useful instrument in market exploration during the short period of its existence. But it would be much better if its structure were drastically modified even to the extent of converting it into an autonomous body, so that it could bring its extensive experience to bear on the complicated methods of marketing without hindrance. At present, it does not have the power of executing its own schemes, which have to be recommended to the Government for implementation. This handicaps the Board in breaking new ground in the domain of marketing. Much time is wasted in avoidable correspondence, and in the meantime the marketing problem loses its urgency and immediacy. Once the Board is endowed with adequate authority, it can have its own personnel and train it in the fundamentals of marketing. Happily, the Board has set up a crafts museum at Thapar House, Janpath, New Delhi, which is making a collection of traditional designs in all crafts. These, apart from their historical value, provide a ready reference for all craftsmen and designers who can emulate the designs for improving the output which can catch the fancy of sophisticated customers, both home and foreign. And with the expanded activities of the Board on the lines indicated above, it is to be hoped that Indian handicrafts will play an increasingly important role in the growth and development of the national economy. This would lead to the wider diffusion of economic power which would create the wherewithal for a socialistic pattern of society within the democratic framework of the country.

In view of the fact that the role of private enterprise in the field of handicraft marketing is overwhelmingly important, we may now examine the general pattern of marketing of private enterprise. It is the middlemen, called by different

names, who form the general pattern of marketing and through whom these goods pass into the hands of the ultimate consumer. Those engaged in handicraft production have been found to complain bitterly that these middlemen grab the lion's share in profits, leaving hardly enough for artisans and workshop-owners to earn their livelihood. These artisans who produce handicrafts either work in their homes or in workshops owned by others known as mastercraftsmen. Goods are sold either to big stockists, i.e., home or export merchants, or to dealers, big or small. These stockists and dealers, in their turn, sell the goods either to overseas customers or to home consumers, directly or through other intermediaries. Whereas big stockists have relatively larger financial resources, carrying sufficient stocks with them, the dealers ordinarily buy the goods on a made-to-order basis. Both the types of middlemen agencies grant advances to artisans, and charge regular interest, making it obligatory on the part of artisans and workshop-owners to supply the goods only to them. Apart from the payment of low prices for the goods purchased, there are two evils associated with these marketing channels. It is a normal practice with these channels or agencies to settle accounts 15 to 60 days after the delivery of the goods ; and if, during this period, the goods are damaged, they are usually returned under the pretext that their manufacture was defective. At times, these damaged goods are accepted under special discount rates. This is the first evil. The second evil associated with these agencies is that they make unauthorized deductions for such purposes as charity. The artisans and the workshop-owners are in this way, ingeniously exploited by these middlemen agencies. There are some workshop-owners who are better placed, and who do not fall a victim to the machinations of these middlemen agencies, but the artisans in general have to subject themselves to merciless and unscrupulous exploitation, as they are ordinarily indebted to these middlemen agencies. As these agencies carry on the bulk of marketing (say 97 per cent), the prices of goods sold to the ultimate consumer are inflated, creating sales resistance. Besides, they display no interest in studying consumers' preference, nor do they ever conduct market research. It is therefore a matter of compelling urgency that

marketing should be taken away from the hands of such out-dated agencies. At any rate, these middlemen agencies should not be allowed to play their role unchecked in the scheme of marketing, as they have been doing hitherto. But unless the All-India Handicrafts Board steps in, it will be extremely difficult to curb their role, as they have firmly entrenched themselves into the system of marketing.

It is also desirable to enlarge the scope of marketing for public agencies. Their present share is only 3 per cent. If, however, this can be substantially increased, it can also bring to bear a healthy effect on the middlemen agencies. But this is not easy to achieve. It is well known that most government emporia look like museums rather than business shops. Some of them on the other hand are too glamorous. People somehow feel that they are meant only for the well-to-do classes. It is only when an intending customer enters them that he finds that the prices of the products are quite reasonable and are lower than the prevailing market prices of similar goods in many cases. There are some emporia such as those of Bihar, Indore, and Madras, which have very small showrooms. Other emporia like those of Hyderabad and Bangalore, though quite large, have poor display. All possible efforts should be made to give them an attractive, business-like and modern look. Here, too, the All-India Handicrafts Board can play a useful role. It can undertake the task of imparting training to these emporia personnel so as to enable them to cultivate a sense of service and an attitude of courtesy towards prospective customers. If the Board adds its contribution to that of the emporia, there is no reason why sales should not be augmented.

There is another channel to which we should turn our attention. That is the co-operative system. If somehow these artisans and workshop-owners can be initiated into the co-operative system, the battle on the marketing front will have been half won. And as the Government is desirous of promoting the co-operative movement in every walk of life, there is a good chance of utilizing this channel. The Planning Commission wants the development of the co-operative movement in every activity. 'The encouragement of the co-operative form of enterprise in all fields of activity,

in agriculture, in trade, in finance, in marketing and in industry must become the prime objective of Government policy.¹² But unless a large volume of organizational effort is put behind the movement by the co-operative departments of different States, it will be difficult to persuade the artisans and workshop-owners to come together to avail themselves of the advantages accruing from the movement. The Government should come out with a bold programme, and help industrial societies by supplying them with raw materials at concessional prices. The National Small Industries Corporation can render them marketing assistance in many ways. Even the Government can help in the spread of the movement in the realm of marketing by adopting the Stores Purchase Policy in favour of handicraft products by placing bulk orders with such societies. The State Trading Corporation of India can also help the movement by undertaking large-scale marketing operations of these products of industrial societies in some regulated way in foreign markets. It is quite clear that unless we bring imaginative understanding to the problem of marketing handicraft goods, the overwhelming role of traditional middlemen agencies will continue, exploiting the artisans and workshop-owners in a hundred and one ways.

The Need for a Central Marketing Board

The work of the All-India Handloom Board, Khadi and Village Industries Board, and the Handicrafts Board needs to be co-ordinated by some central agency. A Central Marketing Board should be formed under the auspices of the Government of India, and this Board should carry out the work of co-ordination. Many advantages would accrue as a result of the adoption of this measure. First, it would serve as a bureau for disseminating marketing information by issuing leaflets, bulletins, reports, etc. Secondly, it can conduct technical schools and colleges for helping in the training programme. Thirdly, it can keep the trade informed of market trends and conditions. Fourthly, it can arrange to publicize cottage products and handicrafts as a whole in foreign markets. Fifthly, it can help the Government in entering cottage products and handicrafts in the schedules attached to a number of bilateral trade agreements with foreign governments. Sixthly,

¹² See *The First Five-Year Plan*, 1952, p. 41.

and finally, it can run a number of emporia in foreign markets of the various Boards in some co-ordinated form.

The Central Marketing Board should arrange regular meetings and conferences of the various other Boards, such as the All-India Handloom Board, the Khadi and Village Industries Board, and the Handicrafts Board, in order to discuss the many and varied problems connected with the marketing of their products, so that overlapping may be avoided. Rightly directed and effectively co-ordinated, the Central Marketing Board can bring about a great improvement in the marketing system of cottage products and handicrafts, thus contributing a great deal towards a planned economy.

Conclusion

The most difficult problem facing the Indian cottage products and handicrafts is that of marketing. The middlemen who are carrying on the major part of marketing are neither properly equipped with the latest trends in marketing, nor do they possess the financial resources of the magnitude required for the task. It would be better if an institutional marketing system on the lines, indicated above, is evolved.

It is appropriate to bring this chapter to a close by once more emphasizing the importance of marketing, which is now becoming more and more a specialized art, as also a definite science. This is all the more true with regard to the disposal of cottage products and handicrafts, which require a greater promotional effort than is necessary for factory-made goods because of the very nature of the smaller producing units. These units, as already stated, are scattered all over the country, and their despatches in the initial stages are also in 'smalls'. So long as our country continues to have an under-developed economy, it will remain the paramount duty of the Government of India to support the cottage and handicraft industries by exercising vigilance over the competitive influences at work, and by equipping them with the fine mechanism of marketing, thus making them invulnerable for augmenting their contribution to the Indian economy.

PART III

MARKETING PROGRAMME

CHAPTER THIRTEEN

REGULATION AND CONTROL IN A PLANNED ECONOMY¹

Leadership of Marketing in the Scheme of Production

Marketing should serve both as a 'defensive shield' and an 'offensive sword' to protect the interests of production. It should assume leadership in the scheme of production so that all manufacturing activities of a country are tailored to the market requirements. Marketing has a key role in any well devised system of production. In fact, it is the 'engine' of increased production.

The two basic processes of modern industrial economy are, production, which is the creation of goods and services, and marketing, which ensures the smooth flow of goods and services from the producer to the consumer through the distribution circuit from different points. It is, therefore, easy to see why so much attention should be paid to marketing in the productive apparatus of a country. Today, the procuring of a product, this very book, for instance, simple as it may seem, is in fact the last of a series of infinite processes which involve the marketing of raw materials, goods and services, and the

¹ *Regulation and Control in a Planned Economy* in this chapter has been used generally in the sense of State intervention to appreciate the possibilities for the marketing development of the nation in a new setting so that the social objectives are kept to the fore. In this setting, the State assumes an ever-increasing role in regulating the economy for the most effective mobilization of the country's resources towards the common objectives of all-round economic development so as to satisfy the basic urge of the nation for a richer and more varied life. It implies the rational principle of resource allocation, demanding a high degree of economic calculus and discipline. It is incumbent upon the State to formulate a sound economic policy so that an intelligent, logical and scientific approach governs the allocation of resources. But beyond a point, regulation and control is bound to hamper economic progress inasmuch as this very strength may turn into weakness. As such, this process should be carried within the limits dictated by considerations of stimulating the economic activity. Here the role of marketing will be all-important as the productive apparatus of the nation cannot come into its own without keeping itself abreast of current developments in the field of marketing. Therefore, 'growth through marketing' should form the rationale of the Indian economy, and in this context it is the State which has to design a suitable machinery in the shape of regulation and control in a planned economy. Obviously, a planned marketing system will meet the demands of the day. It is apparent that marketing is also going to be regulated at certain points in the planned economy of the country.

whole gamut of the wholesale and retail processes. The system is becoming increasingly complex and highly specialized. In the words of Dr. W. S. Barry : 'The whys and wherefores of marketing have been clouded by a spate of literature. People have seen that the gains to be made from trading result from the interplay of human minds. The extent of gain does not have to depend completely upon the wares, because the price that customers will pay changes with their beliefs. Volumes have been written to show sellers how they can change the beliefs of buyers. Seemingly, the language has become more and more scientific, and less and less understandable.'² Truly, therefore, new ideas and novel techniques and a whole new jargon of commerce have grown around the realm of marketing in order to cater to man's insatiable demands. An effort has been made to develop theoretical concepts on marketing in Part I of this book so as to keep the theory on to the ground.

Marketing provides the basis of a vast improvement in man's standard of life. Whether we like it or not, a country's progress is judged by the variety and extent of its production. The slogan of simple living and high thinking becomes in this context little more than an escapist cry which seeks refuge in a superior mental attitude to make up for the woeful deficiencies of material comfort.

The fact of the matter is that an economic system, if it is to work effectively, must devote itself to the problems of marketing. It is marketing which removes all noxious weeds and other impediments that hamper the path of manufacturing activities in an industry. Marketing has the levelling effect. It is indeed a powerful weapon in the arsenal of production. It is therefore of the highest importance to contribute a definite understanding to the close relationship between manufacture and marketing in the economic system of a country. A close interweaving of production and marketing will lead to the industrial advancement of the country which is so pressingly needed for expediting the take-off stage in the Indian economy.

² W. S. Barry, *The Fundamentals of Management*, London, 1963, p 160.

'The Indian economy', said Dr. P. S. Lokanathan, 'has in recent years, experienced some notable changes, social, technological, and economic. The size of the domestic market has been growing, the purchasing power of the people rising, and the supply of resources expanding.'³ But this does not mean that India has become representative of a 'Schumpeterian' world. All that can be said is that all the conditions for growth of industrial entrepreneurship now exist in our country. The role of marketing will be all-important for the rapid expansion of the Indian economy, for it will eliminate waste and unproductive effort. Part II of this book which deals with the marketing structure of a select, representative group of Indian manufacturing industries, including cottage industries and handicrafts, has shown clearly that imbalances in production and consumption have to be skilfully avoided for the orderly growth of the marketing development of the nation. It has been seen that marketing of manufactured products is based on precise knowledge in the domain of marketing. It remains the task of Part III which discusses the marketing programme of Indian manufactured goods in the context of a planned economy within the democratic set-up, to develop India into a great manufacturing power in accordance with the Directive Principles of State Policy. With the mastering of the theoretical material of Part I and its adaptation to actual problems of marketing as in Part II, we can draw a suitable marketing programme in this part of the book, which can be applied to specific problems of marketing, so as to achieve quicker progress by sustaining a high level of production and consumption at this time in the country's economic history, for the natural endowment is usually less important than the human contribution. The human capital to a country's economic growth is so valuable that it becomes the final arbiter of its ultimate progress. Of course, the quantity and character of natural resources have an important effect on the pattern of marketing. It is this aspect of production that has to be paid thorough-going attention in the marketing programme of the nation so that the economic effects of natural resources are felt to the full.

³ Kenneth Berrill (Editor), *Economic Development with Special Reference to East Asia*, London, 1964, p. 156.

Nature and Man in Marketing

Marketing, the importance of which in the productive apparatus of the country cannot be exaggerated, needs special attention to be bestowed to remove the obsolescent effect of production in a mixed economy like ours with an accent on the socialistic pattern for the attainment of social justice. Here 'Regulation and Control' will be found necessary at every stage. But 'Regulation and Control in a Planned Economy' will not unlock the door to economic salvation. It will only provide instruments by which industrial progress can be accelerated. Dr. P. S. Lokanathan's remarks in another context bear this out : 'India's experience shows that the supply of private entrepreneurs cannot increase substantially without State entrepreneurship in various fields. The impression given by some Western economists that entrepreneurs cannot thrive in a planned and regulated economy is not correct. On the contrary, State planning in India has been instrumental in developing private entrepreneurship. The existence of a suitable political, social, and economic framework is, however, necessary. Public investments in industry increase the scope for private initiative. The expansion and diversification of demand generated by Government expenditure act as the greatest incentives for entrepreneurs.'⁴

India's manufacturing power in the context of a planned economy will have to develop mainly along four lines, namely, (1) internal supplies of industrial raw materials for her manufacturing industries ; (2) the feeding of her population essentially on home-grown agricultural products ; (3) the internal organization of extensive markets for her industry's manufactured products inside the country ; and (4) the development of export markets of those products in which nature has endowed her with superiority. One is reminded in this connection of what Alfred Marshall wrote over five decades ago : 'Nature does not willingly make a jump (*Natura abhorret saltum*).'⁵ It is quite true that nature does not smile on man unless he struggles against his environment. His struggle with nature leads him on the path of progress. His struggle is

⁴ Ibid. p. 185.

⁵ Alfred Marshall, *Industry and Trade*, 1909, p. 6.

extended from nature to his fellow men as members of competing nations, and this gives birth to marketing problems. India has a gigantic task to perform in this struggle. She has to develop into a great manufacturing power. She must enlist the help of marketing tools for the transmission of progress.

Gone are the days when the building up of markets on the colonial pattern was a common practice—when great nations like Great Britain developed marketing on the basis of colonial exploitation. Today, no country can expect to develop its marketing system on an acquisitive economy. Every country tries to control its means of production. In order to exploit nature's gifts through careful husbanding, each country has to operate its economy in such a way that it derives the maximum benefit from available resources. It places the domestically produced goods in the home market for the benefit of its nationals. It tries to market its surplus production in foreign markets on the basis of commercial exploitation, free from political advantages. This is the present trend in marketing.

India also has to develop her marketing system on these very lines. Other considerations apart, India, being a firm believer in *Panch Sheel*, has no territorial ambitions. She only desires to emerge as a great manufacturing power by struggling with nature, and competing with other nations in a friendly spirit. She has long since made up her mind to work out her economic destiny under a planned economy.

Planned Economy in India's Democratic Set-Up

The basis of planned economy in a capitalistic society is framed on macro-economic terms, presupposing a certain degree of homogeneity, social and political, within the framework from which the marketing system should evolve. In this study of marketing, a half-way house must be found between liberal capitalism and regimented planning, which combines the advantages of both, and cancels the disadvantages of either, after going through a process of coagulation.

Ours is a democratic country within which a planned economy has to operate with all the limitations imposed by a democratic constitution. The functioning of the private and public sectors in a planned economy should be so regulated that each may draw strength from the other. 'There is an

interrelationship between industries in the public sector and those in the private sector. Expansion of steel by Government will, for example, provide stimulus to the expansion of private industries such as automobiles, bicycles, light machinery, machine tools and implements, hardware and metal products, and other engineering industries.⁶ Thus the Government's policy continues to be one of having a 'good blend' of the public and private sectors in the country's planned economy. The Government's approach to the problem is one of complementarity of the two sectors. Present indications are that ordinarily the public sector will not be allowed to bask in the sunshine of official favour at the cost of the private sector.

Whereas the public sector must develop only those industries which private enterprise would generally be averse to developing because of the returns being social in character, the private sector must expand its activities in those directions in which it can get immediate and economic returns. There will thus be a progressive widening of the public sector and a reorientation of the private sector, and the Indian economy will become diversified within the institutional framework of the country. Significant changes have already been initiated on a grand scale to bring about institutional changes.

A planned marketing system involves the co-ordination of means and ends for the achievement of the desired results, which are adequate to the needs and aspirations of the people. As such, it is obviously different from the traditional hit-or-miss system of marketing. If it is desired to make planning a success within the existing framework of the public and private sectors, operating side by side in the Indian economy, then a planned marketing system is essential. In their First Five-Year Plan the Planning Commission wrote: 'In a system in which profits from production are closely linked to marketability of the product government operation of the distributive system at selected points is, *prima facie*, capable of producing even better results than direct control over production. The cost of living of the large majority of the people depends, for instance, on a relatively few commodities like foodgrains, cloth, sugar, kerosene and salt. Through State trading in these commodities,

⁶ Kenneth Berrill (Editor), *Economic Development with Special Reference to East Asia*, London, 1964, p. 159.

it would be possible to operate directly on the cost of living and to aim at a rate of development which would otherwise be difficult.⁷ But the Commission found this task bristling with many complex organizational problems, the more so with the present inadequate knowledge of distribution and marketing. For this reason, the Commission suggested that before an actual decision was taken, the complex organizational problems, such as the amount of capital involved, the profit margins, costs of operation, the number of people employed, and other related questions should be clearly grasped.

The Government may have to undertake the marketing of such goods and commodities as occupy a specially important place in the family budget. It can derive substantial revenue from this source. He would be a rash prophet, indeed, who would predict that planning can succeed without controlling the distribution system. Regulation of production without control of distribution is meaningless, as the objective of planning is not to continue trends but to change them. So the basic need in the realm of planning is to have a well-conceived system of distribution. We have already begun State trading in the foreign trade sector in a number of manufactures, thanks to the State Trading Corporation of India (STC). The STC supplements the efforts of private enterprise in the foreign trade sector. In dealing with a foreign monopoly organization, where an exporter may find that he has very little bargaining power, it may be useful to channelize the marketing operations through the STC. Anyway, these are great social experiments, necessitated by the circumstances of planning. The time has come when we should have recourse to State trading in foodgrains, etc. under a phased programme if it is really desired to make planning a success. Regulation and control in a planned economy will be found necessary at different stages of marketing.

Administrative Machinery

The administrative machinery of a country is of supreme importance, for a government in business gets less credit for its success, and much more discredit for its failure following the general maxim of 'more business in government and

⁷ See *The First Five-Year Plan*, Main Report, 1952, p. 35.

less government in business'. The best policies will end in failure if the administrative machinery, which operates the Indian economy, cannot adequately cope with the planned State trading programme, and if this machinery is bound to red-tapism and government officialdom. The administrative machinery must be able to shoulder the ever-increasing responsibilities in this sphere with a fairly large measure of success. It must also be able to give decisions as a condition precedent, for otherwise the whole structure might collapse, involving the Government in a maze of complications.

A census of distribution should be undertaken in the first instance, so that the Government is equipped with adequate knowledge on the complex organizational problems of distribution and marketing. The Government should then proceed with the task of distribution by degrees. The degree of success in planning depends to a large extent upon the success attained in the domain of distribution. It is absolutely necessary for the Government of India to adopt a middle course in the matter of planned distribution, the more so because conflict between Capitalism and Communism seems to be ever so vital.

It is through trial and tribulation that a nation's fibre is strengthened. We have to harness our energy during these formative years of the nation by regulating production and consumption in our planned economy, so that a socialistic pattern of society of the Indian brand is evolved in the land of Mahatma Gandhi. This is what Gandhiji said in his simple but inimitable style : ' I do not want my house to be walled in on all sides and my windows to be stuffed. I want the cultures of all lands to be blown about my house as freely as possible. But I refuse to be blown off my feet by any.'

One of the Directive Principles of State Policy in the Constitution requires that ' the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.'⁸ It must seek wider diffusion in the planned economy. Unfortunately, the effect of India's planned economy has been precisely the opposite. This is at once clear from the findings of the Mahalanobis Committee which was appointed by the Planning Commission

⁸ See *Constitution of India*, Article 39(c).

in October 1960 to review the trends of income and wealth and the extent to which there might have been concentration of wealth and means of production during the first two Plans, and which released its report early in April 1964. Its main finding is that 'there can be no doubt that, in part at least, the working of our planned economy has encouraged this process of concentration by facilitating and aiding the growth of big business in India.' This has been so in the face of the 'countervailing measures' taken by the Government to avoid concentration of economic power to the detriment of the common man. The Mahalanobis Committee suggested the appointment of a full-time agency to collect more detailed information on the ramifications of economic power and control in the private sector than was available to the Committee so that adequate corrective measures could be devised. Happily, the appointment of the Monopolies Commission on 16th April, 1964, under the chairmanship of Justice K. C. Das Gupta of the Supreme Court, under the Commission of Inquiries Act, 1952, to enquire into the extent and effect of concentration of economic power in private hands and the prevalence of monopolistic and restrictive practices in important sectors of economic activity other than agriculture, is a welcome step. The Das Gupta Commission has to complete its labours most expeditiously, so that the Government of India could adopt corrective measures to ensure that the development of the Indian economy in the crucial years ahead is in keeping with the Directive Principles of State Policy embodied in Article 39 (c) of the Constitution.

Regulation and control in a planned economy should be conceived mainly as an instrument to ensure a balanced and integrated development of the country by securing the benefits of such development to the common man. Planning can only succeed for the greatest good of the greatest number if consumption of goods and commodities is spread over the largest sector of the country's population. It is only then that marketing development in India can be secured on sound lines, for all production is for consumption, and potential consumers of Indian goods and commodities must have the requisite capacity to purchase them for their use. The task before our people therefore is to have economic democracy in terms of

the Directive Principles of State Policy. Here the part played by the administrative machinery is of the highest importance.

Population and Per Capita Income in a Planned Economy

Many factors, including population control which is perhaps the most important, have to be balanced and adjusted for stepping up the *per capita* income in India in our planned economy. If the *per capita* income in India is to increase sizeably, the speed of the growth of the divisor must be less than that of the numerator. In other words, the increase in production must be faster than the increase in the number of mouths. This process will ensure improved living standards for the nation. An effective way of increasing production and bettering distribution must be devised. Here the problem of population control should form an integral part of the scheme.

The pressure of population is no longer the politician's cliché but an economic nightmare. Tremendous efforts to extract the economy from the slough of stagnation are set at naught and the prosperity that is apparently near at hand perpetually recedes because of the phenomenal growth of population. There is a growing apprehension among economists that planning in India may fail to improve substantially our living standards unless we devote considerable thought and attention to the vital problem of stabilization of population. There is need for a sizeable differential between the overall rate of economic growth and population growth for bettering the lot of the masses. The mid-term appraisal of the Third Plan revealed that during the first two years of the Plan there was no increase in the *per capita* income. The slight increase of over 2 per cent in gross output was more than absorbed by a 2.3 per cent increase in population. It is understood that the rate of economic growth has gone up since then. Still there is the disturbing news that the growth of population is unabated. However hard the Government may try to raise the standard of living of the nation, the increasing population will absorb a large part of increased production. This would tend to arrest the process of speedier growth in the Indian economy.

According to the projections of population growth by the Planning Commission, India's population was 438 million in 1961, which should, in the normal course, rise to 492 million

in 1966, 555 million in 1971, and 625 million in 1976.⁹ There is, therefore, a clear case for arresting the rise of population in India, when we are regulating her economy for raising the *per capita* income through a planned process. Family planning should receive ever-increasing attention. Under the First Five-Year Plan, the family planning programme was adopted as a public policy. It was mainly directed for building up active public opinion in its favour, demographic as well as medical and biological studies being undertaken at the same time. Under the Second Five-Year Plan, it gathered more tempo. There were 549 urban centres and 1,100 rural centres engaged in family planning services. Besides, a number of non-official organizations engaged in this work were provided with special financial and technical assistance. Under the Third Five-Year Plan, it has been sought to be made a popular movement and an integral part of the accepted attitudes of the people as a whole. This is what has been envisaged under the Third Plan: 'In view of the sharp increase in the rate of population growth, a high priority has been given to family planning programmes in the Third Plan. These programmes provide for (a) education and motivation for family planning, (b) provision of services, (c) training, (d) supplies and (e) research. It is proposed to make full use of non-official organizations for ensuring diffusion of the knowledge and the practice of family planning. Family planning activities will be integrated with normal health services and family planning services including facilities for sterilization will be provided through medical and health centres. The number of family planning centres will increase from 1,649 to 8,200.'¹⁰ Notwithstanding all these advertised efforts, the population problem is manifesting itself as an explosion on economic development. The 'baby boom' which is going on in India and more particularly during the last few years has nullified all hopes for a better standard of living for the teeming millions. What needs to be done for a genuine furtherance of the cause of the masses is that the Government should accord the highest importance and priority to family planning under the Fourth Five-Year Plan

⁹ See *The Third Five-Year Plan*, 1961, p. 22.

¹⁰ Ibid. p. 72.

(1966-71) so that the effects of increased production are felt more and more in our planned economy.

Regulated Deficit Financing in Planning

Deficit financing has been accepted as a method of financing our plans in the planned economy. It is a technique employed by the State in order to undertake development schemes beyond its normal revenue by resorting to expansion of currency. It creates the purchasing power without reference to actual production. This is a definite method of widening the public sector in developmental planning. By providing the economic system with a greater spending power, the consumption propensity of the community is increased. But this technique should be employed with a good deal of caution, and should only be looked upon as a sort of *pis aller*, for excessive deficit financing, being inconsistent with a sound credit policy, can only lead to inflationary tendencies. A carefully drawn programme of regulated deficit financing, however, would close the gap between the expenditure and the income of the Government, and enable the State to quicken the progress of developmental planning, making it possible to operate the Indian economy at a high level, and fulfilling the targets of the Plan as scheduled. Nevertheless, it should be confined to safe limits, for it will be hard on our economy if we bite off more than we can chew. Unless, however, industrial production catches up with investment, deficit financing may not achieve any tangible results.

Recent experience, particularly since the Chinese aggression of October 1962, further underlines the need for caution in the use of deficit financing. During the period of the Second Five-Year Plan (1956-61), in which, out of a total public sector outlay of Rs. 4,600 crores, as much as Rs. 948 crores were secured through deficit financing, the index number of wholesale prices recorded a rise of 30 per cent over the five-year period. This happened because deficit financing had overshoot the mark. Because of this and also because foreign exchange reserves, which could serve to cushion the effect of deficit financing on prices, had been seriously depleted, a more cautious use of this method of financing was made in the Third Five-Year Plan (1961-66). Of the total public sector outlay of Rs. 7,500 crores, only Rs. 550 crores were

to be found by deficit financing. In practice, however, the first three years of the Third Plan have already seen deficit financing of about Rs. 616 crores, which is considerably above the figure envisaged in the Third Plan for the entire five-year period. A further Rs. 181 crores deficit is revealed in the Central Budget for 1964-65.

The mid-term appraisal of the Third Plan shows that the increase in the national income at constant prices in the first two years of the Plan was only 2.5 per cent a year, which means that the economic growth during this period was swallowed up by the increased population. The general price index showed a decline of 3.6 per cent in 1961-62, followed by a rise of 3 per cent in 1962-63. But from the end of March 1963, there has been a sharply rising trend, the general price index moving up by 8 per cent from April to September 1963.¹¹ In such circumstances, there is need for the utmost restraint in the use of deficit financing. In fact, deficit financing should be used with extreme caution under the Fourth Five-Year Plan (1966-71) to avoid the inflation-pull on the Indian economy. The Government of India would do well to employ this technique with proper control on capital issues, dividend limitation, quantitative credit control, and market borrowings, so that inflationary tendencies do not manifest themselves.

The Marketing System for the Public and Private Sectors

No cut and dried system of marketing can be devised for the public and private sectors. The problem needs to be examined on individual merits in each case. But there can be no two opinions that the marketing system of these two sectors should be such that one is not handicapped because of the other. In any case, the stage has been reached when we have to comprehend and manipulate the marketing problems of these two wings of industry so that they may not become mutually antagonistic. Happily, the two wings are engaged for the most part in the manufacture of different products, barring iron and steel, coal and a few other industries, so these two wings can work out their marketing system largely independently of each other. Again, the manufactured products of the public

¹¹ See *The Third Plan Mid-term Appraisal*, Government of India, Planning Commission, November 1963, p. 10.

sector are mostly consumed by the Government, so their marketing problem would be comparatively simpler. This should render possible the introduction of planning both in production and marketing. The private sector would be called upon to show greater awareness in the sphere of marketing, as its manufactured products are mostly competitive in character. There is another aspect of marketing to be borne in mind as regards the private sector. The marketing of factory goods, and cottage products and handicrafts, may have to be done by properly delimiting the field in the planned marketing system.

Everything considered, it seems necessary so to reorientate the marketing system of the two sectors that maximum economy in marketing may be achieved, and the two sectors may work in harmony wherever their interests are identical, and co-ordinate their efforts wherever their interests tend to clash with each other. On the part of the State, it is absolutely necessary that no discriminatory advantages are offered to one sector as against the other.

The Dualism of the Marketing Structure in the Private Sector

The dualism of the marketing structure, which results from the co-existence of mechanized factory products, and cottage and handicraft goods, will re-assert itself in our planned economy. Evidently, India has not copied the West *mutatis mutandis* in building up her industrial structure. She has reorganized and rejuvenated the old industrial order in the shape of cottage and handicraft goods on the one hand, and has tried to galvanize herself into activity by the manufacture of mechanized factory goods on the other. India will succeed in reviving her industrial economy in the near future, and will give a good account of her industrial performance by mapping out the stages of market development of the two sectors in the context of regulation and control in a planned economy, thereby ranking high among industrially advanced countries of the world. She needs unlimited expansion of both types of industries under the two sectors of her economy as a condition necessary for improving standards of living, and as a means for providing employment for her increasing population. She will emerge as a great manufacturing power, based on the dualism of her marketing structure in the years to come.

Effective Planning of Marketing

Marketing is the great watershed in the life of modern societies. It is a total system of business action rather than a fragmented assortment of functions. It should be evolved on scientific lines. India is an excellent instance of the improvement in marketing equipment providing the first line of attack, since our industrialization hinges a great deal on effective planning of marketing. If the marketing organization is defective, a great loss will result in the national economy through the retardation of industrial development. But if, as we proceed on the path of industrialization, the problem of effective marketing is kept in the forefront, it will be possible to stimulate the industrial advance.

Nowhere is the need for planning greater than in marketing. A businessman who fails to plan marketing, is not likely to remain long in business. If some immediate and radical changes are not made by the businessman in the sphere of marketing, he will court the danger of business failure. If, however, he gives a slant to the problem of marketing in the scheme of his manufacturing activities, he is bound to enhance his margin of profits in the long run. He has to give a kink to the marketing point in his production programme for achieving the best results, for it is marketing which forms the backbone of production. It may be described as the bone and muscle of production. We shall have to carry out effective planning in marketing so that we may assert ourselves, and one day become a world power. We should go all out for becoming a really advanced country within the next decade or so.

We shall not only have to keep pace with the times in the field of marketing, but must also adapt ourselves to the rapidly changing circumstances, so that the inner potentialities may be developed uninterruptedly, both in times of boom, and of depression. At present, the great caravan of sovereign democratic India is moving along the road of marketing progress in a planned way, and her well-regulated industrial development is proceeding apace. We must cash in on effective marketing in a planned way. In my view, India's planned economic development depends mainly on the expansion of the market. Of course, there are many other elements but it

is the effective planning of marketing which is the most important element which will enable the country's economic development to keep on growing at the fastest rate possible.

Indian Manufactured Goods and Their Marketing Strength

India has proved her competence to manufacture a wide variety of finished goods out of her raw materials, and to market them at competitive prices both at home and abroad. She has proved to the world that she possesses adequate marketing strength. It would be useful to understand the implication of the phrase 'marketing strength'. The marketing strength of a product depends, in the main, upon its capacity to be sold in the open market in competition with other products of a similar nature. This, in turn, depends upon the ability of the nation to manufacture the product at economical prices. Again, the capacity of the nation to manufacture the product economically depends upon the natural resources, the accumulated wealth, and the nature and character of its population. Judged according to these criteria, India reveals great potential marketing strength. Her manufactured goods have already improved in quality, a fact which is evidenced in market reports of those foreign countries where she marketed, and still markets, her goods. Old prejudices against Indian manufactured goods are fast dying. Indian manufactured goods have captured the greater portion of the home market. According to the Planning Commission, about half of the population of India has, on an average, Rs. 13 per month to spend on manufactured goods.¹² And 94 per cent of the products consumed by the average Indian are domestically produced. So home products have gained a strong foothold in the internal market. Furthermore, Indian manufactured goods figure prominently in many foreign markets. The exports of Indian manufactured goods have risen from Rs. 190 crores in 1947-48 to Rs. 301·7 crores in 1962-63, having withstood increased competition in foreign markets. They constitute over 47 per cent of the total exports. We have been able to export a miscellany of Indian manufactured goods not only to the countries of the Middle East and the Far East, but also to the more developed countries of the West,

¹² See *The Second Five-Year Plan*, 1956, p. 5.

and even to Russia and America. So great has been the development that, in some of these markets, India has acquired advantage in price relationships, and is able to underquote her European and American competitors by anything up to 20 per cent in certain manufactured goods, and even to a much greater extent in other goods. This creditable performance has been achieved owing to India's inherent marketing strength.

Amongst those world markets where Indian manufactured goods have penetrated in recent years, the Asian markets are largely traditional. India's most important advantage over her rivals, particularly European and American, lies in the fact that her closer association with the Asian markets enables her to keep in more direct touch with, and to obtain a more thorough insight into, the needs of the peoples inhabiting these areas. The peoples of these lands where these markets lie require cheap manufactured goods owing to their low standard of living. India is also fortunate in regard to her much-publicized foreign policy which has endeared her to those nations which have been fighting the evil of colonial exploitation. But now a contrary trend has begun to manifest itself with the reappearance of Japan as an exporter of similar manufactured goods in these markets. Then, again, Communist China has emerged as a new factor. She is unscrupulously anxious to increase her influence among these nations and has unleashed a barrage of ceaseless propaganda exaggerating the economic gains and concealing the shortcomings of the Communist experience. She is making an all-out bid to gain supremacy in these markets. It is therefore essential to make strenuous efforts under a planned marketing strategy, so that we may not lose, even partially, those markets, which are traditionally ours. Unless we develop adequate planning in the field of marketing, we may find ourselves among the 'also-rans' in the marketing race. At all costs, we must strengthen the marketing organization, regulating the marketing system under the planned economy, so that there may be no retarding effect on the 'big push' programme of Indian industrialization. We have to make the grade from an underdeveloped economy to that of a self-generating economy within the next few years. As such, no efforts should be spared to bring this about. We have to define our tasks realistically,

spell out the marketing programme on well-conceived lines and implement it faithfully.

The Home Consumer and the Internal Market

The home consumer should be encouraged to take pride in the consumption of domestically produced goods, so that India's marketing strength can be enhanced. He should not forget the memorable words of Lokmanya Tilak : 'Remember that each time you buy a *Swadeshi* article, you put a piece of bread in the mouth of your countrymen.' But the *per capita* income of an average Indian must also go up. The *per capita* income at 1948-49 prices, according to the eleventh issue of the annual White Paper on national income released by the Central Statistical Organization through a Press Note issued by the Cabinet Secretariat (Department of Statistics) on 26th February, 1964, was Rs. 294·7 during 1962-63. This has to go up considerably in the years to come so that the ability of the home market to absorb the increased output of Indian manufactured goods is not outrun. We have to build up the home market brick by brick. As the demand for more consumption builds up, it would be in the interest of successful planning that the home demand is effectively met by domestically produced goods.

It is now easier to enlarge the Indian market. The consumption requirements of the Indian economy have been increasing at a rapid pace. There has been an increase in the 'consumer-element' as compared to the 'producer-element'. The expectation of life, according to the 1961 census, has also gone up from 37·76 years to 41·68 years for males, and from 37·49 years to 42·06 years for females, over the 1951 census figures. It is believed that further advance has occurred since then. Moreover, India's population has lately shown a juvenescent tendency. This is another stimulating factor in the marketing strength of the nation in the long run. The rising trend of the Indian market, and the marked preference of the home consumer for domestically produced goods, are distinctly discernible. They are the happiest indications of the future growth of Indian marketing.

Fixation of Priorities in a Planned Marketing Scheme

It is not easy to capture a larger share of the world market for manufactures, although India is in a far better position than

any other under-developed country of the world to do so. Increased production at home, if it is backed by a growing export of manufactures is particularly important in the case of India which can enable her to import essential industrial raw materials and machinery, thereby raising her home production all the more. As such, an organized effort should be made in this direction. Happily, Indian production has become outward-looking. India has developed a large number of foreign markets and this process is going to be speeded up in the immediate future, thanks to Government's tremendous efforts in the export field.

Lately, a large number of foreign outlets have been developed for Indian goods. It is best to regulate export marketing by assigning priorities in a planned way on the threefold basis of geographical advantage, historical connexions, and new link-ups. The board pattern of export priorities should be in the following order of preference : first, neighbouring markets lying within the geographical influence of India ; second, the Commonwealth markets and some of the European markets, particularly the European Common Market (E.C.M.) and the European Free Trade Association (E.F.T.A.) ; third, the American market ; fourth, the Russian and East European markets ; and last, the rest of the world. There is nothing final about this order of preference in a planned marketing system. Modifications in this order should be carried out on the basis of actual experience, as time goes on and the country acquires a greater capacity for industrial production.

Looking Ahead

Viewing the problem of Indian marketing in an international setting, it can safely be said that India will acquire great marketing strength during the next decade, but she will have to develop a planned approach to the complicated problems posed by the marketing of her manufacturing industry's products. So India needs in the words of Kalidas the basic unity and friendship of *Lakshmi* (Wealth) and *Saraswati* (Learning) :

परस्पर विरोधिन्योरेकसश्रवदुर्लभम् ।

संगतं श्रीसरस्वत्यौर्भूतयेऽस्तु सदासता ॥

सर्वस्तरतु दुर्गाणि सर्वो भद्राणि पश्यतु ।

सर्वः कामानवाप्नोतु सर्वः सर्वत्र नन्दतु ॥

Let traditionally quarrelling *Lakshmi* (Wealth) and *Saraswati* (Learning) now be united for well-being of all. Let difficulties of each one disappear; let all prosper and attain their desires; let all be happy and cheerful.

—*Kalidas, Vikramorvarshiyam*

The country has hitched its wagon to the star of planning, and the present Government has, once and for all, decided to introduce regulation and control within a planned economy under democratic procedures, so that both the public and private sectors may grow side by side, and strengthen the Indian economy.¹³

India, with her growing population, resources, technological skill, labour efficiency, and large home market, will surely be able to solve the marketing problems of her industries by appropriate regulation and control in a planned economy. This will ultimately bring her nearer to her legitimate place among the nations of the world—a place which had been denied to her in the past.

¹³ 'There are three main statutory provisions designed to regulate the growth of private industry. The Industries (Development and Regulation) Act, 1951 requires that existing enterprises in specified industries must register with the Government and that every scheme to expand or establish a new industrial undertaking must have the approval of Government. In licensing new enterprises, the Government takes into account, besides the requirements of the Plan, the technical feasibility of the scheme, existing and anticipated demand, appropriate location, and other considerations. The Capital Issues Control Act was instituted during the war but has been retained with the object of securing a balanced investment of the country's financial resources. It serves to prevent the direction of funds to undesirable purposes. The Companies Act not only controls operations of the corporate sector, but also serves as an agency for attaining the larger social objectives. About 100 clauses in this 638-clause "mammoth legislation" pertain to matters for which approval of the Government is necessary.' [Quoted from *Economic Development with Special Reference to East Asia*, 1964, pp. 163, 164. Kenneth Berrill (Ed.)] The need for the above regulatory measures is dictated by the exigencies of developmental planning within the democratic framework of the country. Statutory control is necessary to maintain a minimum standard of good behaviour in company promotion and management. Surely captains of Indian industry must adjust their business activities within the socio-economic framework of the country's planned economy. The State, on its part, has to develop the public sector on similar considerations, for such undertakings cannot be accorded differential advantages for obvious reasons. In the context of India's present needs arising from the 'big push' strategy of balanced industrialization, the development of the public and private sectors side by side is of crucial importance so as to secure the allocation of scanty resources on the basis of pre-arranged priorities for an integrated development of the Indian economy on calculated lines. India's planned economic development on a democratic basis constitutes a pioneering venture which will go down inevitably in the world's economic history as unique.

CHAPTER FOURTEEN

INDIA'S MARKETING POLICY

Indian Industrialization and Marketing

According to the late Lord John Maynard Keynes, India's industrialization was an unfortunate consequence of the country's connexion with the British, which made Indians look to 'Bombay rather than the never-ending fields as the presage of India's future' for her economic salvation.¹ Lord Keynes' outlook was essentially British, and corresponded to the general trend of politico-economic thinking in Great Britain among politicians of his country. After all, the industrial advancement of Britain was, in the main, brought about by the colonial acquisition of a wide range of raw materials for her manufacturing industries, on the importation of food-stuffs for her population, and on the political exploitation of foreign markets. As such, the British had not only to ensure that India did not utilize her own raw materials, but also that she exported them to Britain in addition to food-stuffs, so that she could become a highly advanced industrial country. In return for the raw materials and food-stuffs exported, India had, willy-nilly, to accept British manufactured goods in her home market on the basis of political exploitation. It was therefore not a matter for surprise that Keynes, one of the most illustrious British economists of our times, thought that India's economic salvation lay in her agriculture. This is how he presented his side of the coin : 'Yet is there not good reason to believe that, so far from this being the case, her (India's) future prosperity is to be sought almost entirely in the application of more skill and knowledge, and especially of more capital, to the methods of agriculture ?'² This thinking resulted from the workings of an acquisitive economy which could be interpreted as a hang-over from bygone days when India was a passive tool of Great Britain.

¹ See *The Economic Journal*, London, September 1911, p. 427.

² Ibid. pp. 427-8.

Great Britain took advantage of her supremacy over India as a dependency, believing the British occupation to be the life-line of the Empire. This Empire stretched across the Indian Ocean from Aden to Singapore, and on to Australia and New Zealand ; and in it India provided the best market for British manufactured goods, and the most dependable source of raw materials and food-stuffs at economical prices. Modern industry with a Western technique had, therefore, to establish itself in India under extremely difficult circumstances. As such, Indian industrialization was bound to be halting, haphazard and lopsided. And as the marketing side of industrial production was neglected, the process of Indian industrialization was all the more obstructed. It is World War I (1914-18) which, however, accelerated this process of industrialization, as foreign manufactured goods could not be obtained in sufficient quantities for home consumption in India. The Second World War (1939-45) offered another opportunity, and the movement for Indian industrialization gathered momentum. The political independence of the country, peacefully achieved on 15th August, 1947, gave a pronounced stimulus to the movement.

Industrialization is a basic phenomenon of the modern age, and in spite of its many handicaps, India could not have escaped its impact. Today, she is industrializing herself rapidly. The Planning Commission has devised ways and means of accelerating the pace of Indian industrialization, so that the nation's standard of living may rise within the shortest possible time. In this context, the need for developing modern marketing cannot be too strongly stressed. Since marketing is the necessary complement of production, the efficiency of marketing will have to be increased for averting a serious maladjustment between production and consumption. But for increasing the efficiency of marketing, we shall have to develop modern marketing as a systematized body of knowledge. The Indian manufacturing industries must be made aware of the supreme need for comprehending the complex forces that govern the sale of their production. India's fast-expanding home market requirements, and the conversion of her home-raised industrial raw materials into manufactured goods, which apparently would mean so much for her prosperity, require

that India should cultivate modern concepts in marketing, so that her industry's products could find suitable markets at home and abroad.

Indian industrialization has today acquired a new horizon. The three big statutory corporations, the Industrial Finance Corporation, the Industrial Credit and Investment Corporation and the Refinance Corporation for Industry, together with the Life Insurance Corporation and the State Financial Corporations, have been providing in the past few years a sizeable portion of the capital in various forms required by old and newly established industrial units in the country. Of late, the Government of India has made tremendous efforts to improve the climate of industrialization. The establishment of new financial institutions, such as the Unit Trust of India and the Industrial Development Bank of India, are to be welcomed in the context of the growing needs of industries in the country. These financial institutions should be able to accelerate the tempo of Indian industrialization in many and diverse ways. There has been a continuous rise in industrial production from 1950-51 onwards. This is how the Third Plan sums up the rise in industrial production during the first two Plans : ' In overall terms organized industrial production has practically doubled in the last ten years, the index of industrial production having risen from 100 in 1950-51 to 194 in 1960-61.'³ Since then, industrial production has registered further rise. All the industries have shown very considerable accelerated progress as far as production and quality are concerned. The problem of industrial production has grown to dimensions where it can be handled with success only when there is a new climate for modern concepts in marketing. Since most industries have begun to find it difficult to market their manufactured products with the disappearance of the post-war sellers' market with its backlog of consumer demand, the need for understanding the marketing problem is all the greater. ' Marketing is a problem which has to be faced by nearly all commercial enterprises ; if they cannot sell they have nothing to make, because there is no point in producing goods and services if they are not purchased by someone else.'⁴ The starting point of sound

³ See *The Third Five-Year Plan*, 1961, p. 452.

⁴ Henry Deschampsneufs, *Selling Overseas : The Principles of Export Marketing*, London, 1960, p. 23.

marketing, based on consumers' preference, is, in fact, the appearance of the buyers' market. In today's context of the buyers' market, a great limiting factor in a further rise in industrial production will be one of marketing. An all-out effort should therefore be made for evolving sound marketing techniques, so that what is produced may also be consumed. Sound marketing techniques would strengthen industrial production, and develop India into a major manufacturing power in the years to come. We have already acquired adequate marketing strength, but what is needed most urgently is its continuance in the 'hard sell' period that lies ahead.

The Marketing Strength of Selected Indian Manufactured Goods

It would be useful to give a short account of the marketing strength of some important Indian manufactured goods one by one. Quite obviously, only those industries which find their place in Part II of this book, will be discussed here.

The Cotton Textile Industry

Prof. Ragnar Nurkse in his *Patterns of Trade and Development* remarks : India, though she has less than 5 per cent of her labour force working in factories, has emerged as an exporter of textile manufactures, but even before she encountered obstacles in the United Kingdom these exports went mostly to other under-developed countries : and this is a different story.³ In fact, India has developed the cotton textile industry on the basis of international division of labour, both horizontally and vertically. She has reaped the advantages in the realm of international marketing on the principle of comparative costs. Even an elementary understanding of the principle of comparative costs would go to show that differences in factor endowments and in factor prices are the prerequisites for the development of international markets. Based on these prerequisites, the all-important cotton textile industry of India has not only made her self-sufficient in cloth requirements, but has also made her a major exporter of cloth in international markets. This industry, to which have been applied advanced technological skill and marketing efficiency, and which commands a vast home market, enjoys competitive advantages in international markets. The manufactured goods of this industry are

³ Ragnar Nurkse, *Patterns of Trade and Development*, Oxford, England, 1961, p. 49.

of standard quality, with manufacturing reputation, comparable to those of any other country of the world. In order to derive substantial benefit from the products of this industry on the basis of the economic doctrine of comparative costs, we have to export heavy quantities of Indian cotton piecegoods in the world markets. At present nearly 10 per cent of the total production is exported to world markets. This can go up if the industry is geared to the international economy at large.

World War II (1939-45) presented unprecedented opportunities to the products of this industry which sought world markets. During the War, India supplied textile goods to those foreign markets which were, till about the end of 1939, receiving them from Great Britain, Japan, France, Italy, Belgium, Holland, Germany, Czechoslovakia and Poland. This marketing development was achieved without pre-planned effort. But in order to maintain foreign markets in today's buyers' market, unremitting efforts have become necessary. Therefore, a wise marketing policy is the *sine qua non* of any future large-scale marketing of Indian cotton piecegoods in the world markets. Here the guiding points of this policy require that top priority should be accorded to the natural markets, which lie on the shores of the Indian Ocean, the Arabian Sea, and the Bay of Bengal, up to Australia and New Zealand in the South Pacific, besides the Middle East countries including the United Arab Republic. The British, the American, the Russian and East European, and the remaining world markets should rank second, third, fourth and last respectively in order of priorities. All this needs careful planning in the realm of international marketing. The Government may embark on a scheme of compulsory exports of Indian cotton piecegoods, so that we may attain the export target of 850 million yards of cloth, as envisaged for the Third Five-Year Plan. This target has to be raised to 1,000 million yards of cloth during the Fifth Five-Year Plan (1971-76) which is incidentally Pakistan's total consumption—a territory that once belonged to India. Unless we do forward planning, we would be lost. Fortunately, the industry itself came out with a scheme of compulsory exports on a voluntary basis in accordance with which every mill has to export annually $12\frac{1}{2}$ per cent of its

turnover of cotton piecegoods. This was brought into force with effect from 1st July, 1962. As a result, the export of Indian cotton piecegoods is picking up once again, but the results are far from reassuring. The industry has yet to go a long way if the export target of 850 million yards a year under the current Plan is to be realized. The real solution to the problem, however, consists in a plentiful supply of cotton at reasonable prices, in modernization and rationalization, in the diversification of the exportable goods, and, above all, in a vigorous sales promotion drive based on overseas market research. As markets are made up of people, it follows that the importance of overseas markets must have direct relationships with the people who live there, what they like, what they do, how they live, and so on. Overseas markets as a whole are composed of a great variety of people, speaking a diversity of tongues, having a variety of local customs and needing a widely different set of wants. Therefore, overseas marketing calls for planned market research in order to gain a stable footing. There is no short cut to stimulate the overseas demand for Indian cotton piecegoods. We shall be called upon to pay greater attention to export marketing. Obviously, a wider diversification of effort, allied to a greater concentration of forward planning in each overseas market than at any previous time, will be required. Exports are a grim necessity for the sustained economic growth of the nation. We have to keep the perspective of increased exports of Indian cotton piecegoods in world markets under each subsequent Five-Year Plan. As the industry's efforts in the field of the export trade have not been wholly successful, it is time that the Government should come forward and embark on the scheme in some regulated manner. We must take our rightful place in the international cotton piecegoods market, and not allow this opportunity to slip from our hands owing to any short-sightedness on the part of the industry. The foreign exchange position, threatening as it does to become the country's Achilles' heel, should lend further impetus to this policy.

The Jute Textile Industry

Although the cotton textile industry dominates the picture of Indian industrialization, yet another major industry, namely, the jute textile industry, when judged by the exports

of the industry's manufactured products, easily assumes vast importance. It would be hard to exaggerate the extent of our dependence on this industry in easing our balance of payments position. The industry's manufactured products yield exactly 21·4 per cent of India's aggregate foreign exchange earnings and over 45 per cent of her dollar earnings. At present about 80 per cent of the total production is exported for sale in the world markets. This industry has set the example in marketing leadership to the remaining Indian manufacturing industries, as it had faced tremendous difficulties immediately after Partition, but nevertheless continued to hold its own in world markets. The industry made commensurate changes for handling the thorny problem of marketing its manufactured products when it was faced with the crisis in the fateful years after Partition, and when Pakistan was emerging as a strong competitor and threatening the Calcutta industry. Besides, other countries like Belgium, France, Brazil, South Africa, the United Kingdom, Germany, Russia and Italy were also developing their own industries behind protected markets during that period. That the market for Indian manufactured jute goods has been dynamic in spite of all these developments bears ample testimony to the fact that it took a realistic view in the field of marketing and developed aggressive methods of salesmanship. An economist brought up on the doctrine of comparative costs would say that the natural way to ease India's balance of payments problem would be for her to sell this industry's manufactured products in world markets at competitive rates.

A moment's reflection will show that India's marketing policy for the manufactured products of the jute industry should be identical with the exploitation of the American market on the one hand and the remaining world markets on the other. This basis would form a just and balanced estimate of the market development of the industry's manufactured goods which have raised India to industrial greatness in the comity of nations. She should by no means forget Russia in the scheme of international marketing which imported on an average Rs. 12·9 million a year of jute goods during 1958-60. Since then, the annual value of our jute goods export to that market has shot up. It is over Rs. 7 crores at present. It should

reach Rs. 20 crores during the currency of our Fourth Five-Year Plan (1966-71). We must study the Soviet market more continuously and extensively. It is believed that such a move, when initiated, will be looked upon with favour by Soviet Russia which has a fund of goodwill for India. At any rate, since it is the most organized manufacturing industry in India, enjoying the advantages of established contacts with the outside world, and possessing a vast store of marketing knowledge, there is little to be feared as regards its comparative prosperity, but we must employ continuously every skill in marketing so as to impart stability and strength to its manufactured products. Skill—more skill—and still more skill in marketing will assure the industry's manufactured products of a prosperous future.

The Iron and Steel Industry

The Indian iron and steel industry has a vast production programme, based on a huge home market. The true gauge of the industrial progress of a nation lies in the development of this industry, and the Government of India have rightly devised ways and means of increasing the production of iron and steel in the country on an adequate scale in the years to come. Considerable thought has been devoted, in recent years, to the magnitude of the demand for steel in the future. An important study was undertaken by the National Council of Applied Economic Research at the instance of the Council of Scientific and Industrial Research, an autonomous body under the Ministry of Education, Government of India. The Planning Commission had the question examined by a Working Group for the Fourth Five-Year Plan (1966-71). The target for the Fourth Plan would be 18 to 19 million tons. A vast experiment to make steel the giant of the Indian economy is under way. It is hoped that the marketing problem would assume special importance in the context of increased production of Indian steel and steel products. A very realistic policy has to be pursued in respect of the industry's manufactured products.

In any marketing policy for iron and steel products, home markets must be assured of their proper share of attention, because the iron and steel industry leads to the growth of many other industries, and forms, as it were, the basis of modern industrialization. But India should nevertheless develop export

markets which would constitute a strategic factor in the country's long-term export promotion programme. It is but natural that at a time when India aspires to become an advanced industrial nation, she should think of developing her iron and steel industry first, as therein lies the key to industrial advancement.

Had this industry been developed much earlier, the picture of Indian industrialization would have been very different from what it is today, and her industrial development might have taken place on a larger scale, similar to that of Germany, England or even Russia. But, under an alien government, that was not to be. Now that India is a free country, she is making a determined bid for achieving industrial greatness through the rapid and orderly development of the iron and steel industry. Its manufactured products should find large and extensive markets all over the world which will bring about a profound change in the Indian economy.

Engineering Industries

Closely related to the iron and steel industry are the engineering industries which are bound to assume more and more importance with each Five-Year Plan. With the rapid growth and development of the iron and steel and non-ferrous industries, the basic raw materials needed for the production of engineering goods will be plentifully available. As a result, the productive apparatus of these industries will be considerably augmented which means that they would be better equipped to serve the home market on the one hand and to yield larger surpluses for international markets on the other. The export earnings from engineering goods which are around Rs. 11 crores per annum at present are bound to shoot up. But here the marketing aspect of production will have to be paid considerably greater attention.

A study of scientific marketing is basic to the sustained strength of productive activities of these industries. The previous contacts India has had as an importer of engineering goods from European countries and America would stand in good stead in the sphere of marketing. An intensive marketing programme appears to be essential to accelerate the export tempo of Indian engineering goods so as to change the image of the country from the importer to the exporter of these goods

to world markets. The greatest care will have to be bestowed on the quality of Indian engineering goods. A large variety of Indian engineering goods both in the field of producer goods and consumer goods will find markets not only in the neighbouring countries of South-East Asia, West Asia, and East and West Africa, but also in European countries, America and elsewhere. The present annual export figure of Rs. 11 crores has to reach Rs. 25 crores per annum by the end of the Fourth Five-Year Plan, i.e. by 31st March, 1971 ; and, again, the same has to reach Rs. 65 crores per annum by the end of the Fifth Five-Year Plan, i.e. by 31st March, 1976 or during the commencement of the Sixth-Five Year Plan (1976-81). It should be the aim that exports of Indian engineering goods touch the 100-crore mark by 1980-81 or thereabout. Then and then alone can India claim to be an industrial nation of sufficient importance, but such giant strides can only be made if ever-increasing recognition is given to marketing techniques. We have to build up an adequate marketing structure by evolving better promotional strategies. We have to recognize the fact that we are in the thick of an industrial age when marketing is no less important than manufacture. In fact,

- c. Production must be accompanied by dynamic changes in the practice of marketing. In a nutshell, such export dimensions of Indian engineering goods in world markets call for the powerful tools of scientific marketing. An overseas buyer should be able to say, ' I am glad I bought Indian '.

The Leather Industry

The Indian leather industry is also making good progress. This is a developing industry, which has not yet found its legitimate place from the marketing point of view. Marketing must grow *pari passu* with the increase of output. But the prerequisite in this respect is that conditions favourable to the maximum utilization of the raw material must be created. Fortunately, the last war provided ' unexpected ' opportunities to the leather industry for converting the raw materials into manufactured goods ; and largely because of political independence, the war gains were also consolidated in the post-war years.

India has now begun manufacturing all kinds of leather goods, both industrial and consumer. Here the footwear

industry is the largest single consumer of the home raw material. In April 1961, there were twelve large-scale leather footwear factories with an annual capacity of 7·012 million pairs. Reliable production statistics for the small-scale and cottage units are not available, but such units account for over 90 per cent of the total output. The Third Plan target for the whole industry is 740 million pairs by 1965-66. Other leather products, industrial and consumer, are also being manufactured on a large scale. There is a great need to expand the production of leather and leather goods inside the country, so that the indigenous raw material could be more gainfully utilized. Thus the money value of the industry's products may easily be doubled within the next few years.

The Lac Industry

India can produce and market numerous articles made from lac. It is all a question of the commercialization of a great many products, and the establishment and promotion of sound marketing methods for such products, so that they may find their way into the home and foreign markets. In recent years, many lac products and accessories have been marketed at home and abroad. The need of the hour is the production of these and other manufactured products, so that international markets may be captured, and more foreign exchange earned. The need for such diversification of lac products has become all the greater, as a shrinkage in the world markets for shellac has occurred in recent years. Necessity being reputedly the mother of invention, we should regard this as an opportunity for increased consumption of the raw material inside the country. We have to improve the marketing methods so as to absorb greater quantities of lac at home by floating a few indigenous industries which require lac for manufacturing processes. In a country like India, where physical capital is so scarce and labour so abundant, the desirability of increasing lac consumption, particularly in small enterprises, is great. There seems to be considerable scope in this direction provided the marketing problem is tackled satisfactorily and effectively.

Production has a correspondence with marketing. Marketing grows and functions by an unceasing adaptation to an ever-changing demand of the consumer, who is the final arbiter of any products placed in the market. Fashion today affects

marketing more than it did yesterday. If, however, we can manufacture fashionable lac products and accessories and launch them commercially, we can definitely consume more lac inside the country, and thus solve the problem of the industry which, otherwise, may languish. No effort should be considered too great for achieving this laudable objective.

The Cottage Industry

At present there are in India large-scale as well as cottage industries, and so we must ensure that the marketing of cottage products is properly organized and well planned. These industries have persisted through the ages, and while some of them are now showing signs of decline, yet others are springing up under more scientific direction.

Cottage industries represent a significant side of Indian industrialization. The Planning Commission rightly gave an important place to these industries with a view to reducing unemployment and under-employment. Again, the Dhebar Committee in its 32-page report highlighted the role of cottage industries in the scheme of Indian industrialization and surveyed them from the point of view of employment potential. The report which was drafted by the Committee after discussions with the Prime Minister and others in the Central Cabinet besides prominent Congress leaders, suggested the formation of an autonomous body under the Union Ministry of Industry to concentrate on the implementation of the programme of rural industries inasmuch as the Government should evolve a suitable pattern of organization and bring that into position if the problem of unemployment and under-employment was to be tackled effectively by the end of the Fifth Five-Year Plan (1971-76). Although the Dhebar report has no governmental imprimatur of any sort, it is bound to be considered favourably by the Government of India and the Planning Commission in any programme of overall industrialization of the country. There is going to be increased production from this sector of the economy in each subsequent Five-Year Plan. As such, the problem of marketing of their products has to be paid ever-increasing attention. Scientific tools of marketing must be employed for the disposal of their products, as without them, they are sure to weaken under the pressure of large-scale industries notwithstanding all other efforts. The readiness

which each of them agrees to discriminate against the goods produced by everybody else, it obtains a favoured position which excludes the producers of other nations from the markets concerned. When a nation sets up, within its own sphere of influence, a preferential trading system which discriminates against the other nations of the world, it denies to producers outside the system an equal opportunity to sell their goods. When a nation blocks its exchanges and compels those who have sold to it to accept payment, on a quasi-barter basis, in its own goods, it forces its products into their markets and keeps other products out.⁶ These are the several methods by which a country not only keeps a complete control over the home market, but also develops foreign markets for its products. India, too, adopted similar techniques, if only with varying degrees of success. Indian production of the majority of industries is based essentially on the development of the home market, but the development of the home market has not been commensurate with the size of the country. There are great potentialities in our home market, if only the national standard of living could be raised appreciably.

For a fuller development of the home market, the living standards of the masses have to be raised considerably, for, unless increased production is assisted by increased purchasing power, a marketing crisis will occur. So it is absolutely necessary that the present low levels of income of the Indian masses be raised considerably. If this can be brought about, there will be a tremendous rise in consumption in the home market, creating a revolutionary transformation of the Indian market. Indian manufacturing industries would then increase several-fold. This will also provide them with competitive advantages for turning out still more goods which can be exported.

To rely entirely upon the home market is to stultify marketing progress. Foreign markets, because of their mutual rivalry, furnish the urge and the drive necessary to a people to produce their best, thereby eliminating waste and inefficiency, and encouraging innovation and enterprise. That apart, a wider market enables a greater utilization of large-scale economics than is possible within the national frontiers. As such, foreign

⁶ See *Commerce*, 5, January 1946, pp 1-2.

markets become merely an extension of the home market in a wider setting.

It is a cardinal principle of economics that export marketing diminishes costs of production by absorbing overhead charges. It makes possible a lower selling cost per unit of merchandise. It is therefore of the utmost importance that additional manufactured goods be marketed abroad. There will apparently be the need for an export promotion drive, if the best results are to be obtained. But this drive is neither easy nor smooth. It needs all the ingenuity to evolve a sound strategy for giving it a 'big push' so as to build up the export sector of the Indian economy which may be quantitatively impressive.

The Need for an Export Promotion Drive

Until recently, export promotion was a comparatively neglected aspect of India's marketing policy, notwithstanding the fact that Indian manufacturing industries developed great marketing strength and widened the range of manufactured products. But our exports have been quantitatively small. 'The exports from India accounted for 1-1½ per cent of the world trade in post-war years. As in some of the very large countries of the world, such as the United States, the Soviet Union and China, foreign trade in India on the whole touches a relatively small, though a very important, part of domestic economic activities. The total value of India's exports amounts to no more than 6-7 per cent of the national income. Although exports account for such a small share of the national income, they play a very strategic role in the Indian economy.'⁷ Without a substantial expansion of exports, the Indian economy cannot develop fast enough inasmuch as there will be a serious limitation on increasing the import contents for pushing up the programme of large-scale industrialization. Realizing this, the Government of India adopted a series of measures, more particularly from the middle of the Second Plan period. Measures such as relaxation of export controls, abolition or reduction of export duties, simplification of procedures for drawback of customs duty, concession in railway freights, special allocation of raw materials, etc. have been initiated with the object of stepping up exports. Again, on the organizational side, a large

⁷ See *The Economic Journal*, London, September 1959, p. 490.

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⁷ See *The* London, September 1959, p. 490.

problem of export promotion. Such a Corporation, if formed, would undo some of the evils produced earlier by the export of inferior and shoddy manufactured goods by many exporters and shippers who were mainly interested in earning quick profits. They have been trying to sell more of the wrong things to the wrong places. Their activities acted as a built-in depressor upon the export promotion drive. It is time that an effective brake is applied on their questionable activities. The Corporation can meet the exacting demands of export markets. It can study the thousand-and-one manifestations of such markets which are largely 'choosy'.

The All-India Marketing Corporation should take the shape of a joint-stock company, incorporated under the Indian Companies Act, with a share capital contributed by the exporters, shippers and the Government. It should have a Directorate, which should establish close liaison with the Directorate of Export Promotion of the Government of India, Indian Institute of Foreign Trade, Export Credit and Guarantee Corporation, Export Promotion Councils, and the like.

There are eight main reasons in favour of this suggestion. First, many Indian manufacturers have no export connexions. Secondly, the Corporation would be in a better position to explain to the manufacturers the marketing difficulties of the export trade and to suggest remedial measures for their removal. Thirdly, it can watch and supervise the progress of exports of Indian manufactured goods with greater effectiveness, and can influence the Government's export and import policies in the best interests of the country. Fourthly, it can organize and institute a scientific advertising and publicity campaign. Fifthly, it can effect substantial economies by means of bulk orders. Sixthly, it can determine export quotas and prices within the prescribed limits. Seventhly, it can canalize transactions with those countries which mostly import goods and commodities through a single buying organization. Eighthly and lastly, it can successfully implement trade agreements with the countries concerned.

The Corporation would be the best forum for studying the tastes of foreign customers, and can function as a centralized 'brain' co-ordinating all the marketing activities. It can prepare an exhaustive check list so that it can ensure that none

of the elements of the operation is neglected. It can successfully undertake the selection of the initial market, or a group of markets, which appear to offer the best prospects. It can also effectively tackle complex marketing problems, such as those relating to shipping movements, and the special documentation, ensuring that prompt shipments of Indian manufactured goods are made and their movement is uninterrupted all through the marketing process until they reach their final destination abroad.

Co-operative Marketing System

The co-operative marketing system would be eminently suitable for promoting the marketing of Indian cottage products and handicrafts, for they can secure the advantage of protective facilities which are offered by the Government to industrial co-operatives.⁸

⁸ Thanks to the Planning Commission, the Government has begun in a big way to develop industrial co-operatives in the country. The number of industrial co-operatives in India increased more than four-fold from 7,101 in 1951 to 33,266 in 1961. Further, their membership increased during the same period from 7.66 lakhs to 25.64 lakhs, and, again, the growth of their working capital increased more than seven-fold from Rs. 7.05 crores to Rs. 53.80 crores during this period. Next to agricultural credit societies, industrial co-operatives have become the largest group of the co-operative movement. Among these industrial co-operatives, co-operative societies of handloom weavers from the most important group, accounting for over 50 per cent of the working capital and over 70 per cent of the sales in the industrial co-operative sector. It should be possible for them to resort to a co-operative marketing system in a planned manner. The Third Plan lays additional emphasis on the development of industrial co-operatives in these words: 'Industrial co-operatives have had a large measure of success in the handloom industry, in coir and in certain village industries. However, their expansion as a general movement has been impeded on account of various practical difficulties. Following the Resolution of the Government of India on Industrial Co-operatives in November 1959, a series of decisions have been taken which, given the necessary climate and leadership, should facilitate the development of industrial co-operatives during the Third Plan. Industrial co-operative societies are at present following three broad patterns. In some, the members undertake production on their own account and co-operate for certain services such as supply of raw materials, etc. In others they jointly undertake production, marketing and other related activities. In the third group are societies whose members may work separately, but set up co-operative workshops for specific services. In industries like handloom and village industries, as also in several small-scale industries, there is great scope for bringing the workers together into a co-operative. Over a large area in the field of small-scale industries, however, there is likely to be greater opportunity for organizing co-operatives for such objects as providing common facilities, initial processing of raw materials, specialized processing, joint handling of orders, and marketing.' (See *The Third Five-Year Plan*, 1961, p. 212).

The need for co-operative marketing in a country of millions of small artisans and handicraftsmen is overwhelming, particularly when it is realized that these artisans and handicraftsmen are heavily robbed by middlemen in the marketing process. The philosophy behind this system is akin to socialism. In a planned economy pledged to the values of democratic socialism, a co-operative marketing system should become progressively the principal basis of disposal of such products. This system will definitely reduce the final cost of cottage products and handicrafts for the consumer inasmuch as it will bring immense benefits to small artisans and handicraftsmen. But the system must be efficiently organized and managed with skill and devotion by a band of people who are thoroughly acquainted with the principles and practice of marketing. The Planning Commission was aware of the fact that industrial co-operatives are still in their infancy in India, having had only limited experience of doing business. The Commission wanted them to be established on a sound basis, so that the marketing problems of Indian cottage products and handicrafts could be tackled satisfactorily. The Commission further expected that the marketing aspect of these products would also receive an impetus from the National Small Industries Corporation, which would guide the cottagers and handicraftsmen in the matter of orderly marketing through these co-operatives. Already, we have some very good co-operatives which are doing excellent work. For example, the *induscoes* of Kashmir are very active. One finds in these co-operatives effective internal democracy combined with strict departmental control, resulting in good business. But what is needed in this country is the widespread development of sound co-operatives, so that the marketing problem of cottage products and handicrafts is handled by them in an effective manner.

The State Trading Corporation of India as a Marketing Instrument

The State Trading Corporation of India formed in May 1956 as a joint-stock company under the Indian Companies Act, has now developed into an important marketing instrument. Its helps implementation of the Government's economic policy in the field of trade and commerce, and aims at expansion and diversification of India's sea-borne trade. It is engaged in the bulk marketing of a wide variety of goods and commodities.

exporting them to foreign markets, particularly the Russian and the East European markets, which prefer to purchase goods and commodities from one single selling agency. It has set apart a trade development fund with a view to undertaking sales promotion activities. It has been sending delegations to foreign countries to study and develop markets for Indian goods abroad.

In an expanding economy like ours, there is ample scope for the functioning of the State Trading Corporation (STC), and the private trade channels should not get panicky over its marketing activities. After all, the share of the STC in the country's foreign trade was 86.81 crores during 1962-63 with exports and imports amounting to Rs. 32.59 crores and Rs. 54.22 crores respectively which means that only 4.8 per cent of the country's foreign trade was handled by the STC during that year. The situation has not changed appreciably since then. Therefore, the contention of private traders that the marketing operations of the STC have adversely affected their own marketing prospects does not appear to be wholly true. It is implicit in a planned economy to have regulation and control in several spheres of economic activity, including marketing.

Experience of the marketing activities of the STC indicates that there are vast potentialities of marketing development for Indian manufactured goods, especially in the U.S.S.R. and East European countries. Its performance is better than that of many government and non-government companies inasmuch as it is bound to play an increasingly useful role in the field of marketing once the State undertakings gather momentum and their products enter international markets in large quantities. The Corporation will have to concentrate more and more on the marketing activities of the products turned out by the State undertakings. It is well known that the Government of India are particularly keen on the thorough organization of the State undertakings so that their products may not face marketing difficulties. Here the STC would prove an invaluable instrument for the disposal of the manufactured products of such undertakings whose investment has been rising steadily year after year. It may be noted here that by the end of 1961-62, the Government of India had invested Rs. 1,133

crores in various public sector undertakings by way of capital and loans. The same swelled to Rs. 1,372 crores at the end of 1962-63. The total outlay by the end of the Third Plan is expected to be as much as Rs. 2,200 crores. And with greater investment in these undertakings, there will be larger surpluses for export markets. The conclusion in such a context is inescapable that the latest marketing techniques will have to be employed to derive the maximum benefit from the development of manufactured products turned out by these undertakings in ever-increasing quantities. The problem of marketing will have to be bestowed more and more attention. Recent trends indicate that the Government of India are engaged with the problem of marketing of the products of State enterprises, and they rightly expect to develop the State Trading Corporation of India into an important marketing instrument.

Bifurcation of the State Trading Corporation of India

Comprehending the rapidly growing trade and commerce, and the effective role of the State Trading Corporation of India in the growth and development of the Indian economy, and realizing that it may well become unmanageable in the wake of long-term development plans envisaged for the furtherance of exports from India, the Government of India decided to bifurcate the State Trading Corporation of India into two parts by forming a separate Corporation styled as the Minerals and Metals Trading Corporation of India (MMTC). The new Corporation was brought into being in October 1963. It took over all assets and liabilities pertaining to minerals and metals trade from the State Trading Corporation of India. The two Corporations, namely, STC and MMTC are now well set for the development of their respective business on proper lines. The two Corporations have begun paying adequate attention to the problems of marketing. They have undertaken a voyage on uncharted seas by getting out of the rut of the traditional patterns of trade and commerce.

Commitments of the Indian Government, and India's Marketing Policy

The Government of India is committed in no uncertain terms to the policy of a planned pattern of production and of

its equitable distribution. Describing the pace and the pattern of production which he wanted in India the late Prime Minister, Shri Jawaharlal Nehru, said : ' Production today is the first priority, and every attempt to hamper or lessen production is injuring the nation, and more especially harmful to our labouring masses. But production by itself is not enough, for this may lead to an even greater concentration of wealth in a few hands, which comes in the way of progress and which, in the context of today, produces instability and conflict. Therefore, fair and equitable distribution is essential for any solution of the problem.'⁹ It is thus quite clear that the Government of India is not only wedded to increased production, but also to its equitable distribution. The socialistic pattern of society can only be evolved when the Indian masses find the benefits of increased production within their reach.

While the Government of India wants an equitable distribution of production inside the country, it also wants that the surpluses which may be left over after meeting the essential requirements of the home market, are exported to the world markets, serving as ' marginal and corrective ' forces, and it desires that no handicaps should limit the development of export markets. In fact, Nehru went a step further when he said : ' If we want to earn money by export, we must do without things here and export them. It is not a question of surpluses. I want to lay stress that we must starve ourselves of goods and things and export them to get foreign exchange.' These lofty words can be seen in the form of a message to the nation all around the Central Secretariat. Nehru awakened in the Indian people an export consciousness. His policies are being continued steadfastly by the Shastri Government.

It is incumbent on the Government to formulate a sound marketing policy in consonance with the development of each industry by keeping in close touch with Indian manufacturers and traders alike. In that policy, the problem of finding export markets will acquire greater and greater importance. It is true that the problem of finding overseas markets for Indian manufactured goods has been suddenly thrust upon industry which still thinks in terms of the home market, but it should be possible to launch a successful drive in the field of the export sector of the Indian economy with the provision of adequate

⁹ Pandit Jawaharlal Nehru, *Independence and After*, 1949, p. 8.

incentives by the Government. The development of a marketing temper in the Indian manufacturer, trader, and the Government, is vitally important. India's marketing policy should comprehend the following broad objectives :

(1) It must encourage the right type of industrial production ;

(2) The tendency for capital to flow into trade channels in preference to industrial production must be counteracted by suitable methods ;

(3) Foreign capital should be welcome for such lines of production as cannot be easily undertaken by Indian manufacturers, and, further, such production should be a means of reducing, and even stopping, the imports of foreign manufactures of such goods in the Indian market ;

(4) It must aim at concentrating on the home market ;

(5) It must encourage exports of Indian manufactured goods on the basis of marginal sales, except in the industries whose maintenance mostly depends upon foreign markets ;

(6) Bilateral and barter trade agreements should be entered into with an eye to improving the marketing power of Indian manufactured goods ;

(7) Imports of foreign manufactures should be restricted to capital goods and other heavy equipment and accessories, besides the specialized and high-quality manufactured goods as token imports, not easily produced domestically ;

(8) Dollar markets should be developed more and more ;

(9) There must be, to the extent possible, a measure of continuity in policy, so that marketing relations with foreign countries in respect of Indian manufactured goods remain ordinarily undisturbed ; and

(10) No deficit in balance of payment should, as a rule, be allowed by appropriate adjustments in exports and imports.

The problem of increased production is largely a problem of marketing. Marketing is a beacon for further progress in the field of production. Therefore, unless we bring to bear mature judgment on the marketing development of the nation, we are likely to be mistaken both in our interpretation of the facts concerning industrial and consumer marketing, and in our judgments on matters relating to India's marketing policy as a whole.

The Union of Production and Marketing

The movement of products from the producer to the consumer is as important as production itself. The union of production and marketing is therefore of the highest importance. Production is nothing without marketing and *vice versa*. Marketing may be said to constitute the dynamo, providing the motive force for all production. Production must be built up on the strong foundation of marketing.

The Indian economy has shown sufficient resiliency ever since the country attained political independence on 15th August, 1947. It is now absolutely necessary for Indian manufacturing industries that they should take advantage of various facilities offered by the Government of India, so that not only may Indian industrialization be greatly hastened, but the marketing development of their manufactured products also takes place simultaneously.

The Main Thesis

For many years, it was believed that production was a factor governing marketing, but today it has dawned upon us that the reverse is true : that marketing is a factor which governs production. Marketing should therefore assume greater importance than production. In an age which belongs to the specialist, the marketing specialist is going to play a crucial role in accelerating the growth of an economy. As marketing is the driving force of all production, its continued neglect in the context of our planned economy will prove disastrous. The economy will not acquire the necessary accelerating effect, as Indian industry will not be able to dispose of its output quickly ; it will only retard the productive capacity and damage the interests of the national economy in the final reckoning. It is time that we paid more attention to marketing than to production so that India may acquire a great manufacturing power. Marketing may well be regarded as the power-grid of production. India's planned economy can start on its journey under auspicious circumstances only when marketing becomes the heroine of production, so to speak.

We would do well to understand this basic approach to the problem of accelerating the pace of the country's industrial production under a planned economy. Production can only

be maintained at a faster rate if marketing acquires the first place in the scheme of production. If this does not happen, there will be bottlenecks at each and every stage of production. If the entire thinking—logical thinking—on speeding up the industrial economy of the country is to be reduced to a single sentence, let it be said that India should face squarely the industrialization of sales in contrast to the industrialization of production, for it is marketing that governs production. This constitutes the hard core of the main thesis.

Philosophical Approach to the Problem of Marketing

It is of crucial importance that we should bring about a philosophical change from production-orientation to marketing-orientation in our attitude towards the problems of Indian industry. In its reconstruction and expansion, Indian industry should make the fullest use of the modern marketing system. An efficient consumer-oriented home production requires the latest tools of marketing.

To regard marketing as something that activates both the market and the production is to tackle the problem of production from the right angle. A well-planned marketing system will generate demand and release forces favourable to the speedier growth of production. More particularly in our country, an export surplus has to be planned as part of the production programme, and here the role of marketing will be supreme. It is time that our country becomes marketing conscious and adopts successful marketing techniques to further the interest of increased production.

If our economic development is to proceed at a pace which all of us desire, it is incumbent that a searching study of marketing is conducted in all its aspects. Every one can see the point of putting petrol in a motor car to make it go, but very few will bother about filling it up with oil unless it breaks down. Closely akin to this is the problem which confronts us for augmenting the productivity of the nation. Unless we check up everything in the engine of production, we shall find breakdowns occurring every now and then. It is marketing that plays this role and keeps the productive apparatus of the nation in good shape.

Marketing Development

As India's standard of living has been steadily rising ever since the introduction of a planned economy in 1950-51, and as it is likely to be doubled by 1973-74, there will be an expanding home market for Indian manufactured goods. There will also be an urgent need for developing our export markets for a miscellany of Indian manufactured goods in order to implement the Indian plans successfully, for there will be greater need for foreign exchange earnings. As such, additional production, which may be left over after meeting the bare requirements of the home market, will naturally go to foreign markets on a well-planned basis, thus imparting greater marketing strength to Indian manufacturing industries. The cumulative effect of all these factors will be reflected in the marketing development of the nation.

It is greatly to be hoped that we shall rise to the occasion, and pay ever-increasing attention to marketing, so that we may attain still greater heights, becoming an industrially advanced nation within the next decade or so. There is a good chance that India will bear the marks of greatness and ensure the kind and degree of influence to which she is entitled by virtue of her economic resources, geographical position and marketing strength, and the murky cloud that has long obscured the rays of the rising sun of the East will disperse in course of time, thus enabling the sun to rise in full view of the world.

CHAPTER FIFTEEN

RETROSPECT AND PROSPECT

RETROSPECT

Industry in Ancient India and Trade Relations

A retrospective glance shows that in the remote ages, Indian manufactured goods had captured world markets and dominated them long before Europe and America embarked upon modern industrialization. The discovery of Mohenjo-daro in the Larkana district of Sind by that doyen of Indian archaeologists, the late Rakhaladas Banerji, and the subsequent excavations there have revealed a hitherto unknown phase of Indian life and culture. The same thing happened in the case of Harappa in the Punjab as it also transformed the age of Indian antiquities and carried it back to several millennia before the birth of Christ. Sir John Marshall, as Director-General of Archaeology in India, wrote : ' Now at a single bound, we have taken back our knowledge of Indian civilization some 3,000 years earlier and have established the fact that in the third millennium before Christ, and even before that, the peoples of the Punjab and Sind were living in well-built cities and in possession of a relatively natural culture with a high standard of art and craftsmanship and a developed system of pictographic writing.' A wealth of light was thus thrown on the Indus Valley civilization by Indian archaeology and the resultant status that India obtained in the international world of antiquity was reflected in the keen interest evinced in problems relating to India's past both here and abroad.

The excavations have proved that Indians knew the art of growing cotton and making cloth from it in the third millennium B.C., i.e. nearly five thousand years ago. A record in the Imperial Gazetteer of India proves that Babylon carried on trade with India near about 3,000 B.C. It is well known that Egyptian mummies dating from 2,000 B.C. were

wrapped in Indian muslins of the finest quality. Again, the razors, chisels, fish-hooks and spearheads testify to the antiquity of Indian metal-work. It is equally well known that Indian wootz or steel furnished material out of which the world-famed Damascus blades were made. All these accomplishments could not have been achieved overnight. The reputation of Indian manufactured goods was not acquired all of a sudden, but had been a gradual process. An organized system of industrial production and marketing under the *Shreni* (श्रेणी) with subordination to *Shraisthya* (श्रेष्ठ) had been developed by slow degrees.

The Old Economic Order and the Marketing System

The old Hindu rulers not only patronized Indian manufactured goods, but also encouraged their export to foreign countries. Prof. K. T. Shah in his *Ancient Foundations of Economics in India* has indicated that the Indian economic system of the remote ages gave prominence and preference to production-for-use as against production-for-exchange.¹ Only after the goods had met the home requirements were they exported to world markets. Indian ships sailed the seven seas, carrying large quantities of muslin and other cotton goods.² India was the largest producer of consumer goods in the world. Almost every nation was indebted to her for their supply in exchange for gold and silver. But it would not be fair to assume that India was then a great industrial nation, judged by modern standards. We were no doubt a great nation by the standards prevalent during those ages. It may, therefore, be concluded that India was more advanced than other nations of the world in matters of industry, commerce and marketing in the old economic order.

India as an Industrial Workshop and Agricultural Mother

Quesnay's well-known maxim '*Pauvres paysans, pauvre royaume ; pauvre royaume, pauvre roi*' applies to nothing more fittingly than to the India of those good old days when she was not only an agricultural mother but also an industrial workshop of the world. The most noteworthy feature of India of the

¹ Prof. K. T. Shah, *Ancient Foundations of Economics in India*, Bombay, 1954, p. 104.

² See *The Imperial Gazetteer of India, The Indian Empire*, Volume III—Economic—New Edition, 1908, pp.257-8.

ages gone by was that both agriculture and industry developed side by side. After meeting the demands of the entire population of the country, India exported heavy quantities of manufactured goods to the world markets. There was no other country in the world where civilization had reached such an advanced stage as it had in India. That her agricultural development became a byword in foreign countries is evidenced by the chronicles of foreigners who visited India. Again, she did not lag behind in the matter of industry. As Prof. Weber says : 'The skill of the Indians in the production of delicate woven fabrics, in the mixing of colours, the working of metals and precious stones and in all manner of technical arts has from very early times enjoyed a world-wide celebrity.'³ There is nothing to be wondered at then that gold and silver found their way to India from every quarter of the globe. The poets of Great Britain dreamt and sang of this country. Milton had India in mind when he spoke of

'. . . the wealth of Ormus and of Ind,
Or where the gorgeous East with richest hand
Showers on her Kings barbaric pearl and gold.'

Even a little more than two centuries ago, she was as much a manufacturing country as an agricultural country. In such circumstances, the East India Company spread its tentacles. King James I of England, who was much impressed by Indian calicoes of exquisite design, asked the Directors of the East India Company the reasons for this popularity. They replied that the import was both useful and profitable for 'having first served His Majestie's dominions the overplus is transported into forrayne partes in the nature of home breadd commoditie.' And among the products of agriculture which found markets abroad were sugar, tobacco, opium and indigo. In short, the economic conditions prevailing in India were quite good with balanced development of her economy.

The East India Company and Trading Patterns

Before the advent of the East India Company, India had a conglomeration of closed economic rural units, having self-sufficiency on the one hand, and diversified industrial production of small-scale industries in commercial towns on the other.

³ Quoted from C. P. Srivastava's *Economic Development of Modern India*, Kanpur, 1941, p.7.

The manufactured products of these towns were largely exported to world markets in return for gold and silver. Thus India was a rich, prosperous, and peace-loving country. It was, therefore, easy for the East India Company to revive some of the handicraft and small-sized industries, which were to fall, later, into a state of decadence during the unsettled political conditions after the downfall of the Moghul empire. The East India Company tried particularly to rejuvenate the urban industries during the early years of its establishment, and placed the manufactured products in European markets. In fact, during the period when the Company found it extraordinarily profitable to market Indian manufactured goods in foreign countries including Great Britain, it encouraged Indian industries in many and diverse ways. It exported Indian linen, the finest textile fabrics, chintz, calicoes, embroideries, shawls, woollen and silk goods to England, as also to other countries of Europe. So high was the reputation of Indian manufactured goods in the world markets that when a Frenchman, M. Blanqui, saw the Indian section of the Great Exhibition of London in 1851, he paid a glowing tribute to the ingenuity of the Indian manufacturer in the following words : ' *Les indiens sont les francais de l'orient pour le genie industriel.*'⁴ Without doubt, Indian workmanship had reached a high level of excellence.

The British Crown and the Indian Market in the Changed Set-up

Slowly but steadily, the East India Company, under the pressure of British manufacturers and other vested interests, was obliged to change its policy of patronizing Indian manufactured goods. The result of this reversal of policy was that India was ultimately reduced to the position of a mere supplier of raw materials and of an importer of British manufactured goods in the wake of England's Industrial Revolution, more particularly after the opening of the Suez Canal in 1869. By then the East India Company had been superseded by the British Crown which had established itself formally as the Supreme Power in 1857 after the Great Uprising.

British Colonial Policy and its Effect on the Indian Economy

Britain became the Paramount Power in India. Whilst the British Parliament applied sanctions against the use of Indian manufactured goods in Britain, the British manufacturer was able to glut the Indian market with large quantities of goods manufactured by him in factories operated by power-driven machines. Most of such manufactures were carried out in England from Indian raw materials imported into that country under special preferences. India felt the deadening impact of foreign rule when she found that the British colonial policy was draining her of her riches in an extremely ingenious way. This policy brought unprecedented prosperity to Great Britain. The net result was that India ceased to be the industrial workshop of the world, and became a mere exporter of raw materials and agricultural produce. The lack of a well-planned agricultural policy, however, so impoverished the country that it was neither possible to absorb heavy quantities of British manufactured goods in the Indian market nor to export to any significant extent agricultural produce to feed her masters in Great Britain who were engaged in turning out ever-increasing quantities of manufactured goods. Thus India, in spite of her rich resources became a poor country, suffering wretchedly low standards of living. And so the Indian economy was reduced to the state of a backward agrarian set-up. The vast majority of the population lived from hand to mouth as helots of the soil. The most arresting fact about India was that she was a rich country inhabited by poor people. This paradox of Indian economic life could only be removed by the application of modern techniques of large-scale production and the marketing of such production under a well-conceived marketing policy.

The March of Modern Industrialization in India

Following the recommendations of the Famine Commission of the eighties, the necessity for reviving Indian industries on modern lines began to engage the attention of the British Government. About three decades earlier, Indian industrialization had already started with the installation of a cotton textile mill in Bombay in 1853 by a Parsee entrepreneur, C. N. Davar, and the establishment of a jute textile mill at Rishra near Calcutta in 1855 as the joint venture of George

Auckland and Byamsunder Sen. But the right atmosphere for Indian industrialization was created by the Commission's Report. Thus began the 'march of modern industrialization'. This reversal of policy began to produce perceptible effects during the opening years of the twentieth century. But India continued to suffer from arrested economic development till she attained political freedom in 1947 as a result of British liberalism and Indian magnanimity based on the Gandhian approach. As a result of her political independence which made her the mistress in her own house, forces favourable to speedier industrialization were released. The wheel has turned full circle. A new era has now dawned on the country's economic landscape. India has begun to take stupendous strides in every aspect of her economy. She harbours much goodwill towards Great Britain and is on the friendliest terms with her in all respects. The presence of the British Prime Minister, Sir Alec Douglas-Home, at Nehru's funeral on 28th May, 1964 was itself a symbol of the bonds of affection and respect between our two countries. These bonds are likely to endure and indeed grow stronger year by year.

A rising nation such as India must zealously guard her home market. A reorientation in our outlook and approach is obviously called for. We shall henceforth be required to pay far greater attention to the problem of marketing in order to give impetus to our accelerated industrialization. If, however, increases in industrial production are matched by comparable efforts on the marketing side, the battle on the industrial front would be half won.

In retrospect, it is easy enough to see why things often went wrong with the country's industrial production. The weapon of marketing was never employed effectively to correct the imbalances between production and consumption. But now this will not do. If India has to capture, maintain, and develop world markets for her manufactured goods, in keeping with her size, population, and natural resources, she will be faced with a task of an unprecedented magnitude in the realm of industrial and consumer marketing. She cannot afford to relax her efforts on the home front. In fact, that must be the base for extending marketing operations in the

international markets, thus bringing the old problem in a new setting.

PROSPECT

Marketing as a Basic Element in Modern India

The prospect of marketing has to be gauged retrospectively. We have to study the present trends of marketing in the light of the past for the purpose of the future. The wartime stimulus to our productive apparatus, the post-war sellers' market with its tremendous backlog of consumer demand, and the shortages caused by extensive planning, have further retarded progress in the marketing development of the country.

Marketing is that basic element in our economy which arranges for the sharing of the fruits of man's inventiveness and labours. Marketing has to do with people—all the people. It guides the way they live and influences the way they think. A great responsibility therefore devolves on us to develop the marketing patterns of the nation in the international setting. We cannot think of India as if she were a world unto herself. Our history of trade with the other countries of the world, our political and economic philosophies, and the grim necessity of our co-operating in the building up of a closer community of nations—all these considerations require that we should, despite the huge home market, look beyond our own frontiers in dealing with the marketing problem of Indian manufactured goods.

Marketing in India's Planned Economy

Marketing will provide a good laboratory to the economist for conducting new experiments for the welfare of mankind which is the main aim of the science of economics. Adam Smith himself defined economics as an enquiry into the nature and causes of wealth. Marketing is thus the distilled essence of economic wisdom harnessed to the cause of human welfare. Commensurate attention will have to be paid to the problem of marketing. The Planning Commission is anxious to initiate a process of planned development which will raise living standards and open out to the people new opportunities for a richer and more varied life.⁵ There should in the very

⁵ See *The First Five-Year Plan, Main Report, 1952*, p.7.

nature of things be no imbalances between production and consumption in the planned development of the country. An awareness of the problem of marketing would go a long way in initiating a process of rapid industrial development in the changing pattern of Indian economy. A planned marketing system has to be worked out for guiding production which would render useful services to the consumer by eliminating avoidable waste in the distribution mechanism on the one hand, and enlarging the scope of industrial production on the other. If, however, production and marketing are developed as the two interconnected processes to India's expanding economy, they will serve as mutual correctives. Just as the right foot and the left foot are both needed for walking properly, production and consumption have also to be adjusted suitably to accelerate the growth of the national economy. Then it will equate production and consumption leading to the development of a new armoury of ideas, new facts, new theories and new weapons of marketing in India's planned economy.

Technical Show-How and Marketing Mechanism

The present marketing mechanism is, however, rooted in the past. In the past, Indian manufacturers adopted off-the-cuff mechanism of marketing. That militated against the growth and development of scientific marketing. No corresponding efforts were made by the Indian manufacturers to evolve new techniques of marketing which may well be described as technical 'show-how' in contrast to technical 'know-how' in the case of production techniques. Because of inadequate show-how in the realm of marketing, large quantities of obsolete goods were manufactured which had to be virtually thrown into the market at non-remunerative prices. This resulted in clogging the wheels of production. But now there is a growing awareness in India towards paying more attention to marketing in order that marketing techniques may catch up with production techniques, so that production may be geared to market requirements. The trend towards an efficient marketing system is now distinctly discernible, and its acceleration is desirable for making India one of the foremost producing and consuming areas in the world.

The Domestic Market in India

India presents one of the largest markets in the world. She occupies an area of 12,61,597 square miles, is equal to Europe minus the U.S.S.R., and is twelve times bigger than the British Isles and eight times the size of Japan. She has a land frontier 9,425 miles long and a coast line 3,535 miles. Measured by the extent of her territory, she is the seventh largest country in the world. Again, she represents 15.1 per cent of the world's population which means that every seventh man in the world is an Indian. India is, therefore, one of the largest potential domestic markets in the world. If somehow this market is properly developed both in the cities and the villages, it is bound to present immeasurable marketing possibilities.

The Nature and Character of Modern Marketing

Marketing represents a two-way traffic—the seller must earn a profit sufficient to induce him to stay in business, and the purchaser must obtain a serviceable product at a cost within his ability to pay. Unless this happens, goods would not get produced. This means that leadership is needed for the growth and development of marketing.

A study of all aspects of marketing is absolutely necessary if we are to improve our marketing system, and so supply our goods at home and abroad that the demand for them continues unabated. We should be more and more concerned with marketing which is both an art and a science as seen in the opening chapter of Part I.

Marketing, in its business sense, deals with place, time, and possession utilities. It moves goods into consumption. As such, it is wrong to think that it will take care of itself. Our thinking should, in fact, be reversed inasmuch as marketing should be considered the pivot around which production revolves. Production depends wholly on marketing. If, however, attention is riveted on marketing, production will be taken care of. So marketing should acquire greater importance than production in our economy. Then alone will industries grow in a more vigorous climate.

Marketing Based on Scientific Foundations

As our existing productive apparatus had been built up on the basis of empiricism, we were faced time and again with

problems of overproduction in Indian industry. Now this is not good for India's planned economy. In the country's expanding economy, this weak spot from the economic system should be removed and new strength and stamina should be imparted to it by building up a splendid marketing structure on scientific foundations, bearing the hall-mark of a modern nation.

Relationship between Production and Consumption in India's Expanding Economy

'Consumption is the outlet of the grid system of industrial progress. Distribution and marketing are comparable to the transmission lines. Factories are the power plants of industry where the potential values of raw materials are transformed into the kinetics of the mercantile world—fabricated or processed goods ready for consumptive use. When production, distribution and consumption are in unison and working smoothly together, the mercantile and industrial world performs a service for consumers comparable to the electrical field, where the potential power of coal or elevated water is changed into kinetic energy at the power plant and transferred to the consumer through outlets in homes, factories and shops. When co-ordination of all these elements fails, then there is economic maladjustment with various names, such as overproduction, under-consumption, unemployment and so forth.'⁶ The conversion of raw materials into manufactured goods enhances the utility of such products for consumption. It is, in fact, the sales organizer who turns the potential of productivity into the kinetic energy which produces a better standard of living. All production is for consumption and any maladjustment between them would create conditions which would be commonly known by the term 'crisis'. If the crisis is to be avoided, market analysis, consumers' preference, analysis of territorial sales potential, size of the market and other related problems of marketing should be carried on for hastening the process of industrialization and keeping the productive system geared up to the market needs. To the fundamental truth of economics that that cannot be divided which has not been produced may be added another fundamental truth: that we cannot continuously produce unless we sell.

⁶ See *Report on Small Industries in India*, 1954, p.67.

The Future of Indian Marketing in Developmental Planning

Making a prophecy is an extremely difficult affair, being beset with many imponderables and therefore this aspect must be taken into account in any prognosis of the future of Indian marketing. Nevertheless, from all available accounts it is indicated that more and more attention in the productive system of Indian industry will henceforth be paid to marketing. The Planning Commission realized that the distributive system needs special attention under planning. Says the Commission : 'From the larger point of view of controlling relative prices and profitability as also for gaining control over the economy at strategic points, state trading at the wholesale level in respect of selected commodities could be used as an instrument of planning.'⁷ One may conclude, therefore, that the *raison d'être* of a planned economy is the proper understanding of the marketing mechanism so as to secure optimum results. In the Second Five-Year Plan, the problem of marketing studies was highlighted in the discussion on village and small industries and it was envisaged that the scope of these marketing studies could be gradually extended in the case of other industries on the basis of results obtained. Again, imbalances, if any, between demand and supply are sought to be removed under the Third Five-Year Plan as is evidenced from the following observation : 'Regulation of prices through suitable government action, state trading and marketing and distribution through co-operatives, is unavoidable if these situations are to be met adequately.'⁸

The problem of marketing is bound to acquire importance and gain meaning in the country's planned economy, though the Planning Commission has introduced the subject in each successive Five-Year Plan in a rather timorous manner. Now the Planning Commission seems to be greatly disturbed over the rising prices of essential commodities. The late Prime Minister, Shri Jawaharlal Nehru, addressing his last Press conference at New Delhi on 22nd May, 1964, said the price question is difficult and complicated which does require serious consideration. Again, India's present Prime Minister, Shri Lal Bahadur Shastri, identified rising prices as the most

⁷ See *The First Five-Year Plan*, Main Report, 1952, p.35.

⁸ See *The Third Five-Year Plan*, Draft Outline, 1960, p 15.

immediately formidable of the problems confronting the nation. But the problem cannot be solved with the wave of a magic wand. We have to steer clear of the dusty clichés on the subject that are being industriously peddled at present. What is needed most in the context of present-day conditions is the conducting of marketing studies on a scientific basis and of understanding the interrelationship between planning and pricing in a planned economy. Marketing studies should be launched on a full scale, and the same scientific spirit should be brought to bear on this problem as helped the manufacturing processes to be brought to the present stage of development.

The success of a planned economy rests mainly on the timely realization of the importance of marketing in the overall structure of industry. The tremendous role of marketing in the manufacturing problems has not been sufficiently realized by our planners. We cannot have quantity production without quantity marketing, though it is easy to see that many production problems are more readily solved if they are approached *pari passu* as marketing problems. In other words, we have said too long : 'Here is a thing we have made—how can we sell it ?' What we should say is : 'Here is a thing to sell—how can we make it ?' So the basic approach needs to be drastically changed. A new dimension to current thinking on distribution and marketing has to be given so that maladjustments between production and consumption are combated for the good of the Indian economy.

*Government Aid for Marketing Growth and Development in India :
Base Line Data*

The Government would do well to seek a wider area of understanding with expert agencies engaged in the field of marketing in this country, so that base line data could be made available. This wealth of marketing information could provide the starting point of market exploration. In 1960, for example, Messrs. J. Walter Thompson Private Ltd., had prepared a consumer index of markets based on no fewer than twelve indicators. Again, in 1962, the Clarion Advertising Services attempted the computation of market rating indices for class I towns of India. This was the second known attempt that an advertising agency had made in India for rating the

of rising prices is a particularly disquieting feature of the Indian economy. Indeed, this problem is of vital significance which needs to be given the highest possible attention. Unfortunately, the recent increases in the prices of manufactured goods such as cloth, steel, chemicals and cement, either due to fiscal measures like enhancement of excise and customs duties or due to statutory price increases allowed in the case of industries like steel and cement, have set off a chain reaction in the Indian economy. Even such essentials as sugar have seen an upward movement of prices. All these are disturbing trends, which may upset the entire economy of the country. Everything considered, the time has come when painstaking studies should be undertaken and selective controls introduced so that the runaway rise in prices is combated for the good of the Indian economy.

Conclusion

So far the efforts in the direction of marketing growth and development have been largely sporadic and lacked a scientific approach. They therefore did not make any notable impact on the overall advancement of the country's industrial development. A stage seems to have been reached in the country's planned economy when sustained, organized efforts are needed in the field of marketing if optimum results are to be obtained from increased production both in the public and private sectors.

We may conclude with certain vital observations of the Ford Foundation Team in this connexion : ' Basic development of marketing must take place on these general lines : Firstly, that " made-in-India " products must be good and of uniform quality, and to this end, industry cannot rely wholly on Government, but must police itself. Secondly, products must be geared to meet consumers' felt needs. Thirdly, aggressive efforts must be made to reach and stimulate the huge potential market of the villages as yet barely touched.'⁹ Although these remarks were made by the Ford Foundation International Planning Team on Small Industries in India, they apply to all types and kinds of industries—large-scale, medium-sized, small-scale and cottage industries. In fine, the

⁹ See *Report on Small Industries in India*, 1954, p.10.

main problem of Indian industries is one of marketing which needs to be tackled in a scientific spirit. It will enable the Indian economy to march forward within the quickest possible time, and make India an industrially advanced country in the modern sense of the term.

CHAPTER SIXTEEN

WHITHER MARKETING ?

Marketing and Industrialization

Marketing, which constitutes the bed-rock of production, lacked a scientific approach in the past in our country, and consequently the pace of Indian industrialization could not be quickened, other considerations apart. Even today, notwithstanding the fact that we have embarked on a planned economy within the democratic set-up of the country, marketing tends to be a rule-of-thumb affair in a large number of cases, and therefore industrial production gets choked at several points and often goes off the rails.

There is a marked tendency amongst us to produce goods first, and await their marketing afterwards, in the mistaken belief that marketing can look after itself. This tendency on our part constitutes a major pitfall in the scheme of industrialization, for it holds up the progress of industrialization, upsetting the planned economic development of the country. We must necessarily lay the foundation of our expanding economy on marketing.

Mechanics of Marketing

Production and marketing are the two pillars of an economy. A systematic study of marketing should, therefore, be organized in our economy, thereby bringing about an efficient marketing system. Armed with the sinews of an efficient marketing system, the Indian economy can easily change over from the stagnant to the progressive stage by invigorating the process of industrialization within a comparatively brief span of time. We can gainfully utilize the ripe experience of the industrially advanced countries of the world for the benefit of India's planned economy. We must not, however, ape blindly the marketing systems of other nations in evolving one of our own, but we can certainly draw on them and profitably adapt their knowledge in marketing to Indian conditions so as to bring about quicker and better results.

In any case, our first and foremost requirement for broadening the base of industrialization is that the problem of marketing be steadily pursued. The country's industrial progress cannot be achieved by medieval thinking involving hit-or-miss methods of marketing. It is only by a readiness to accept modern marketing as the essential postulate of industrial production that we can open up new horizons of hope for the industrial India about which we all dream.

The Role of Marketing in India's Planned Economy

If I were to summarize the role of marketing in India's planned economy in one word, I would do it by writing down 'dynamic'. Our inability to make greater headway in the fields of production seems to be largely due to inadequate understanding of certain specific factors associated with marketing. The success of a planned economy within the democratic framework of the country is intimately related to the timely realization of the role of marketing. Should that dynamism occur in marketing, the planners would find that the planned targets are not only hit but even exceeded in a large number of cases to the obvious advantage of the Indian economy. All in all, there is little chance of the targets going off at a tangent.

Production Costs and Marketing

It is well known that the cost of production of most of the goods in our industries is excessively high compared with that of advanced countries, in spite of the oft-repeated cry that Indian labour is comparatively cheap. Though attempts are frequently made by vested interests to justify this state of affairs on one ground or another, the main reason for the unduly high production costs is that no serious attention is being paid to the role of marketing in the scheme of things. Slogans such as the 'customer is always right' and 'customers are our supreme masters' are often heard, but in actual practice the customer's interest is more often than not by-passed. That greatly reduces the chances of industry availing itself of the benefits of large-scale production through vigorous marketing development.

The Grace and Favour System

In a planned economy like ours where production is planned on a priority basis, the 'grace and favour' system does not

allow the free market economy to play its part to the full. Marketing, being tied up in various ways, cannot develop on scientific lines.

Under the grace and favour system with its permits, licences and quotas, and their inevitable accompaniments of pulls and pressures, the marketing development of the nation is often hindered. This constitutes fertile soil for corruption. Too often, the customer buys goods rather gingerly and grudgingly.

This system of grace and favour prevents production from attaining full fruition and exercises a retarding effect on the economy in the long run. Lt.-Colonel Y. G. M. Shehori-Altman says : ' A great deal of government control has often dictated the economic course of events ; the machinery of control is unwieldy and very often downright inefficient.'¹ What is needed to be done most at present is that the grace and favour system should yield to the new system of selective controls in the country's marketing system, which should then be streamlined as realistically as possible in the circumstances. Buoyancy would thus be injected in the distribution mechanism, and enable the economy to meet the present-day needs of the home market and also stand up against future onslaughts when other nations, more favourably placed than ours, endeavour to swamp the Indian market with their manufactured goods. That aspect should not be lost sight of. It would be risky to become complacent under the grace and favour system, for it would only stifle our industrial progress in the long run. There is a widespread feeling in the country that the grace and favour system should be gradually removed so that a grand structure of marketing might be built up side by side with the rising production of Indian industry.

Attitude of Manufacturers towards Marketing

Indian manufacturers must ensure that, once they have succeeded in winning the market, the quality of their products does not deteriorate. It is quite likely that at times quality may suffer for want of the requisite raw materials, a factor beyond the control of manufacturers, but in such cases it is morally necessary that the customers are informed of the impending reduction in the quality in a straightforward manner, which should be accompanied by suitable price

¹ See *Planned Selling*, Bombay, February 1963, p.13.

adjustment. That would ensure that the reputation of the manufacturers is maintained even under adverse circumstances. By doing this, the future growth of marketing will be generally unhampered.

If, however, the customers are irritated by continual minor faults, no matter how low-priced such products may be they will become suspicious and are likely to switch over to rival products. It is therefore of the highest importance that constant efforts should be made by manufacturers for a better finish to their products, keeping in mind that marketing, as the most intractable problem, needs to be tackled with imaginative understanding and constructive wisdom. At any rate, marketing must catch the fancy of Indian manufacturers. It is incumbent that a psychological bias in favour of marketing is created which will be a major step in channelling the nation's efforts towards marketing development, thus enlarging the frontiers of knowledge in marketing.

Marketing Studies

Compared with the rising tempo of Indian industrialization, studies in marketing have been insignificant in our country. Even Indian universities have provided meagre facilities in this direction. And wherever such meagre facilities do exist in Indian universities, they only emphasize agricultural marketing without bothering to get to the bottom of industrial and consumer marketing. Neither have Indian business houses cared to pioneer the cause of industrial and consumer marketing. In such circumstances, the Government should come forward with a bold lead so that past neglect may be made good. This issue is one of vital and practical importance, and it must be solved on rational lines as a matter of top priority. This will stimulate the Indian economy which, thanks to planning, is now acquiring an industrial bias.

International Factors and Marketing

Since independence, and more particularly since the country embarked upon a planned economy, international factors have helped India in acquiring an industrial bias. The 'Kennedy Round' of talks under the new American Trade Expansion Act, which empowers the American President to cut existing tariffs, recognizes that special efforts have to be made to reduce barriers obstructing the exports of manufac-

area and possesses 8.5 per cent of the total population of the world, consists of some fifty countries and territories including thirty-six independent nations. Each territory has its own peculiar characteristics which widely vary in the matter of the degree of industrialization, agricultural production, *per capita* income and direction of trade. Generally speaking, the rate of growth in most of the African countries is modest. The *per capita* income varies between Rs. 250 and Rs. 500 per annum. We should make a conscientious effort and develop our trade relationships with these countries. It is true that no two countries present an identical picture, but then we can have the character study to deal effectively with them. It should be a rewarding study.

From the foregoing, it becomes apparently clear that international factors are extremely favourable to our country ; and with the potential resources at its disposal, the nation can forge ahead towards becoming one of the great powers. Obviously then, marketing will prove an invaluable instrument for charting the lines of further advances in these markets of the world. By undertaking a scientific study of marketing in all its bearings, we can ensure that our national productivity is not arrested at this critical period in history when international factors are tending to help us in acquiring greatness as an industrial power. World forces have helped us in bringing about a measure of achievement that would otherwise have taken many more years. India's industrial progress will be hastened because of the planned economy to which she has wedded herself at present. Today we cannot but stress the fact that marketing will play the crucial role in the further development of the Indian economy.

U.N. Conference on Trade and Development and India

The remarks made by Dr. Raul Prebisch, Secretary-General of the 1964 United Nations Conference on Trade and Development, during his three-day visit to India when he met Indian ministers and officials for the preparatory work, are well worth recalling. Addressing a Press conference in Delhi on 14th September, 1963, Dr. Prebisch remarked that the 1964 U.N. Conference, due to be held in Geneva from 23rd March to 16th June, 1964, would, *inter alia*, explore ways of increasing trade relationships between developing and

developed countries. This would be achieved largely by eliminating barriers and restrictions impeding the export of consumer goods of the developing countries into the developed countries, and the import of capital goods of the developed countries into the developing countries, thus avoiding gaps in the balance of payments position. 'The objectives of the Conference were of paramount importance to the developing countries which comprise three-quarters of the population of the world.'² Differentiating the Conference at Geneva from the Havana Conference on Trade and Employment, Dr. Prebisch explained that the main idea behind the latter was to facilitate the return to the old pattern of international trade which had functioned well in the past. But the idea of development was not a basic concept of the Havana Conference. On the other hand, the purpose of the Geneva Conference was, according to him, to find a new pattern of trade that would respond to the needs of developing countries. These needs arose out of the requirements of economic development which called for increased imports of capital goods, while there was, at the same time, a tendency towards a trade gap leading to disequilibrium in the balance of payments of developing countries. This tendency was not a temporary phenomenon but was structural and fundamental. As such, industrial statesmanship of the highest order needs to be displayed in the domain of international marketing so as to avoid any likely international crisis. Happily, the three-month U.N. Conference on Trade and Development which ended in Geneva on 16th June, 1964, laid the foundation for a comprehensive organization known as the World Trade and Development Board. This was indeed a spectacular achievement which will keep the new institution moving with proper locomotion. The trade conference is to be held regularly, at least every two or three years. The next conference is to be held at the beginning of 1966. Between conferences a Trade and Development Council attached to the United Nations mechanism, would act as the permanent organ. All these are excellent beginnings which herald that a new era of international collaboration has commenced. It is to be hoped that the developed countries of the world would provide enlarged markets for the exports of

² See *Indian Finance*, Calcutta, 21st September, 1963, p.446.

the developing countries in mutual interest, thereby helping the economic development of the developing countries by avoiding the widening chasm in trade balances between the two sets of countries of the world. India's role in bringing about this state of affairs was noteworthy in that the World Trade and Development Board followed the Indian proposals submitted to the Secretary-General, Dr. Prebisch, at Delhi when he visited this country in September 1963 in connexion with the preparatory work of the Geneva Conference. India is bound to play a vital role in future conferences as well. She represents the true voice of the under-developed countries of the world.

A Critique of Some Aspects of International Marketing

Till lately, international marketing of raw materials and manufactured goods proceeded between countries principally producing raw materials and those which were highly industrialized. In this pattern of international marketing, countries producing raw materials had no large established manufacturing industries, whereas highly industrialized countries had a great need of raw materials for processing them into manufactured goods. This trend of international marketing was essentially based on the exploitation of weaker nations by stronger nations, and so, in its very nature, could not continue for all time. It is now giving way to a new trend in international marketing, in which producers of raw materials have begun to convert these raw materials into manufactured goods, and no longer export them to the former manufacturing countries to any large extent. In this new order of things, marketing complications have already arisen. Because of these complications, the rate of expansion of world exports has shrunk in recent years. The rate of expansion of world exports had declined from 8.4 per cent per annum in the early fifties to 6.6 per cent in the late fifties and to less than 5 per cent in the early sixties. It is to be hoped that the deterioration in terms of trade and sluggish expansion of the export quantum of the developing countries would be arrested because of recent developments in world trade.

The situation is not altogether hopeless, for there are compensating advantages for those nations which are manufacturers and which can continue to produce capital goods and

other heavy equipment and market them to such countries as need them for their newly created manufacturing industries. This will clearly be a transitional period, and the two sets of countries should prepare themselves for the 'switch-over' policy and programme in international marketing. During this transitional period, the older set of manufacturing countries will have additional scope for marketing high-quality goods and commodities like electrical apparatus, refrigerators, motor vehicles, automobiles, locomotives, artificial silk goods and the numerous synthetic products for world markets. This will avert a slideback into a marketing crisis, and will also prevent the upsetting of the whole international marketing structure.

To bring about this state of affairs, a thorough process of reconditioning and re-organization will clearly be necessary. It will be the task of the United Nations to find a new pattern of trade between these two sets of countries and give the lead for more and more collaboration between the developed and the developing countries. India is a typical example among the developing countries which are zealous in protecting their interests in the domain of international marketing.

It is true that the more highly industrialized countries would not be willing to accept the new order of things under normal circumstances. Obviously, they would want the promotion of world trade on their own terms, without providing an adequate *quid pro quo* for the developing countries. In the midst of such a tangle, the one bright spot has been brought about through the labours of the Geneva Conference held recently from 23rd March to 16th June, 1964, which has evolved a new world trade machinery in the form of the World Trade and Development Board as discussed earlier in the chapter. A Secretariat headed by Dr. Prebisch, has been set up within the framework of the United Nations. It is to be greatly hoped that the U.N. will play its part in this field as it has been playing in the political field for nearly two decades.

The expansion of world trade will have to base itself on the principle of developing the economies of these under-developed countries, allowing the more highly industrialized countries to export capital goods, machinery and other specialized equipment. It is better to avoid any clash by a little give and take on either side, which can settle the problem

The New Perspective and the Indian Institute of Foreign Trade

'India, today, is engaged in a vast experiment to bring its giant economy into the main stream of modern life. Even if this effort of economic expansion concerned only the Indian people, the scale and vision of the attempt should still catch the imagination of the world. To create the conditions of modern living for over four hundred million people, to rescue from extreme poverty nearly half the inhabitants of the free yet under-developed world, to bring into the age of atomic energy and outer space one of the most ancient of the world's great civilizations—all these are stirring adventures of the human spirit in their own right. But the significance of India's plans extends beyond the frontiers of India. They are a vital, perhaps a decisive chapter in the wider history of modern man'⁴ These cogent remarks of the British economist, Barbara Ward, are well worth pondering over when a new perspective is being opened up before India. Her planned economic development should prove a landmark in the history of the under-developed countries of the world. Her difficulties lie in the direction of export promotion which is basic to her economic development at an accelerated speed. Surely, India, which is trying to boost her exports so that she can import capital goods, industrial raw materials etc. for her planned economic development, is bound to succeed. She presents an excellent example of an under-developed country which is trying its best to become an industrially advanced nation within a brief period in her history. It is gratifying to note that export-consciousness is in the air. We are making tremendous efforts to get a proper share of the overseas market. Here marketing would seem to hold the key for the accelerated development of the Indian economy. An intensive programme of research of export markets would, therefore, appear to be essential, and the establishment of the Indian Institute of Foreign Trade, *albeit* a little belated, has been a step in the right direction.

International marketing is striving to establish its first beachhead in India with the establishment of the Indian Institute of Foreign Trade under the auspices of the Ministry

⁴ Barbara Ward, *India and the West*, Indian edition by arrangement with Hamish Hamilton Ltd., London, New Delhi, 1961, p.9.

of International Trade (now Ministry of Commerce). In fact, the Government of India has taken a very bold and a unique step in opening the Indian Institute of Foreign Trade. Justifying the establishment of the Institute, the brochure brought out by the Ministry, in this connexion, says : ' A fundamental requirement of efficient overseas marketing is well-organized market research and area surveys in potential consuming areas. While such market surveys are undertaken as a matter of course by larger industrial concerns and specialized agencies in the advanced countries, in the case of a newly industrializing country like India, we will have to initiate and develop such specialized institutions. Also in all advanced countries, universities and other educational and commercial bodies have academies of foreign trade and a chain of institutions and firms to undertake these activities. There are no institutions, organizations or bodies in the country to undertake such market research and area surveys. Neither the Government nor the universities, nor any of the organizations such as Export Promotion Councils or Trade and Business Organizations and Federations have so far established any agencies or organizations to conduct in a scientific way any market research, area survey or commodity research on any sizeable basis. Therefore, the efforts in this direction require to be initiated as well as greatly strengthened.'⁵ The brochure goes on to add : ' In advanced countries, Academies of Foreign Trade are widely established. In Japan not only does JETRO (Japanese Export Trade Research Organization) function with wide ramifications but a number of institutions specialize in foreign trade. In the U.S.A. such specialized institutions are also large in number. In the U.K. the "Institute of Export" is a leading organization. Similarly, in France, Germany, and Italy, officially sponsored and supported institutions are functioning. In the Soviet Union the "Academy of Foreign Trade" and the "Marketing Research Institute" function as apex bodies.'⁶ It is thus clear that the Government of India has shown sufficient aware-

⁵ See *The Indian Institute of Foreign Trade : Constitution and Programme*, issued by the Ministry of International Trade (now Ministry of Commerce), Government of India, 1963, pp.1-2.

⁶ *Ibid.* pp.2-3.

ness to develop an institutional approach to the problem of marketing so as to bring about a reorientation in the marketing programme of the nation. Quite obviously the Indian economy should be developed on the basis of a relatively large export of Indian manufactured goods. Here the Institute of Foreign Trade will play a crucial role. On organization of market research, area surveys and commodity research, the brochure points out : 'The Institute of Foreign Trade will undertake market research and area surveys in foreign countries in accordance with a planned programme in order to assess, current and potential demand for Indian products in those countries. These surveys will not only indicate the scope of absorption for Indian goods in foreign markets, but also spell out in detail the techniques to be adopted to achieve such absorption. The Institute may conduct these surveys either through its own personnel or through specialized agencies abroad. In either case, the presentation of the results will be effected in a manner suited to meet the requirements of Indian trade and industry. The Institute will also make intensive commodity studies in the country in order to locate commodities with export potential and draw up long-term plans for their development, processing and export. It is anticipated that these surveys and studies will be of inestimable value to Government Departments in framing export policies as well as to manufacturers and exporters of Indian goods in the expansion and diversification of their export trade.'⁷ The Institute has already proved its worth by becoming a good vehicle for the development of international markets for Indian goods.

India ranks among the first fifteen trading countries of the world. 'Our share in the total world trade has been increasing steadily, though slowly. In 1940, it was 2.3 per cent, by 1950 it had increased to 3.2 per cent and by 1959 to 3.6 per cent.'⁸ With the growing realization of increasing our share in the overseas market, this is making further progress. Here the role of marketing is supreme. Admittedly, greater efforts are needed in international marketing. The Institute

⁷ Ibid. p.5.

⁸ See *Foreign Trade of India*, issued by the Publication Division, Ministry of Information and Broadcasting, Government of India, New Delhi, 1961, p.5.

of Foreign Trade which is becoming a suitable apparatus in this direction, is bound to play a greater and greater role as the years roll on and the country acquires more and more experience in the domain of international marketing.

What next? The time has come when industrial and consumer marketing should be so moulded by the Indian Institute of Foreign Trade as to receive pride of place. The Institute should open a Faculty of Marketing for advanced studies in marketing. In fact, it would be better if it is renamed by adding the word 'Marketing'. It should then be called 'The Indian Institute of Foreign Trade and Marketing'. That would give due emphasis to marketing in the scheme of the Institute. After all, the broad objective of the Institute is to increase India's exports, and that necessitates the formulation of a well-conceived marketing policy.

Another thing. It would be well if it is understood by Indian universities that the Institute does not desire to encroach on their preserve: it is an essential responsibility of the Government to develop India's exports which is inherent in the logic of planned economic development. It is very good that the Institute has been made an autonomous body as Government experts become stale from too much file work.⁹ Be that as it may, this step on the part of the Government is bound to generate an air of optimism and expectancy, and to give a clear lead to Indian universities and business houses. We can now develop both the fundamental and applied aspects of Indian marketing with dynamism which will help the national economy to take advantage of international factors which are becoming more and more favourable for the future growth of Indian industry and the exports of her industry's manufactured products in international markets.

Industrialization of Sales

Marketing calls for fresh thinking in the context of India's developing economy so that the powerful impact may be felt on the planned economic development. Marketing should

⁹ Inaugurating the Central Government Economic and Statistical Staff Association at New Delhi, on 30th March, 1964, Mrs. Tarkeshwari Sinha spoke in a lighter vein that Government experts became stale from too much file work. Perhaps she was ventilating this viewpoint, as in Government, the people are entrapped in office work which often renders them ill-equipped for newer knowledge.

occupy the pivotal place in the scheme of production. In fact, it constitutes a dynamo providing the motive force for production. Production can only be maintained at a faster rate if the marketing system is well conceived. India must needs show concern for the development of marketing in its scientific character. She has, of course, to chart her own marketing strategy but she can certainly enrich her marketing system by learning from foreign experience.

Production and marketing must complement and reinforce one another. They are like the wings of a bird. The whole concept of marketing should be so developed that the country's industrialization should register continuous progress. We must develop a 'philosophy' of marketing. This philosophy should be evolved around industrialization of sales. That production and marketing would reinforce one another under this philosophical concept would mean that the country's industrialization would take place without any impediments.

Whichever way one views the problem of Indian marketing, one finds bright prospects for the country's marketing development. The realization of the priority of marketing over production would be a major step in bringing about the described results, particularly when world conditions are propitious.

We shall be hemmed in on all sides on the production front without having a basic understanding of the industrialization of sales. We must therefore discover the line of action on this premise so that the Indian economy may not be bedevilled. This 'philosophical' approach to industrial production should take root as it is the one best calculated to succeed in promoting the interests of the Indian economy. This philosophy needs to be transformed into action. In any case, it must be made intensely practical if the best results in the field of industrial production are to be obtained.

Predominance of Marketing in the National System of Economy

The period from 1947 to the present has been one of rapid growth of Indian industry. While it is true that India has made appreciable progress in the last seventeen years in the field of economic development, it is equally true that this progress would have been much greater had the problem of marketing received sufficient attention.

India has evolved a planned economy within the democratic framework which has brought to bear a new dimension in the domain of marketing. She has acquired a zest for improving the competitive strength of her manufactured goods. But she needs an economist of the stature of Friedrich List of Germany to base her national system of economy, which is in a transitional stage, on a new premise.

It need hardly be stressed that a reorientation in our outlook and approach to the problem of marketing is palpably called for. That is possible only when an eminent economist can, in a crusading spirit, propagate marketing as identical with production. What is needed today is that the lessons in marketing are learnt with increasing receptivity. That is the only way for India to hold her own in the home and foreign markets.

Marketing will offer India incomparably greater advantages than all the economical methods of manufacture. In fact, marketing will enable more conscientious, accurate, and economical methods of manufacture, as manufacturing activities are dependent on marketing activities in the final analysis. It is time that India solved her marketing problem so as to attain full stature in the comity of nations, and enable her to lift her people from penury to comfort.

New Image

To project a new image of marketing into the apparatus of industrial production, India would have to undergo great stresses and strains. This is going to be no easy task. We cannot build up a marketing system overnight, for its ingenuity, its tempo and its dynamism call for deep thinking over the years. 'Intelligent marketing, starting from the conception of the product to its finally reaching the consumer, would obviate many failures, although it is inevitable that in a highly developed and sophisticated market there will always be failures of products, as there are of books, plays and films. Failure may also be indicative of imagination and experimentation.'¹⁹ It is only the summation of individual efforts in the realm of marketing that would help in the consummation of a

¹⁹ See *Marketing and Distribution in U.K., U.S.A. and West Germany*, National Productivity Council, New Delhi, March 1963, p.9.

marketing system of a nation. That system of marketing has to tailor to the needs of the home and foreign markets.

A new marketing, system, when it becomes more important than manufacture, is sure to produce tangible results in the shape of increased production and consumption. That system would bring about an integration of the nation's productive activities to the best advantage of the economy. A change has therefore to take place in our national thinking on the 'philosophical' plane so that the nation may register uninterrupted progress in the years to come.

A developing economy like ours has to understand the cultural merits of this basic approach so as to release forces favourable to the speedier growth of the national economy. By cultivating a new image of marketing with a sophistication of its own in the overall process of industrial production, we can usher in a new era of plenty and prosperity.

Enlargement of Industrial Production

We have to ensure that our industrial production is sufficiently enlarged and various difficulties confronting the nation in this direction are overcome. The industrial growth in India expanded at an annual average rate of 9 per cent during the First Five-Year Plan (1951-56), 8 per cent during the Second Five-Year Plan (1956-61), and only 7 per cent during the first three years of the Third Five-Year Plan (1961-66). The effect of this slow industrial growth has been felt on all sectors of the Indian economy, more particularly on our efforts for ensuring prosperity to the teeming millions of our land. The need of the hour is the enlargement of the industrial growth in India. This can be done by the acceptance of marketing as the lever of the economic growth. And here our main objective should be to allocate more of such production for the world's markets. Shri Asoka Mehta, Deputy Chairman of the Planning Commission, remarked forthrightly, while inaugurating the annual general meeting of the All-India Exporters' Chamber at Bombay on 16th June, 1964, that to promote exports the country might have to take the difficult decision of restraining consumption at home and diverting production to the export market. Truly, we must take the long-term view even though it will involve immediate sacrifice. But then we have to devise ways and means for the enlargement

of production. In a larger sense, this can be easily achieved if we reorient our thinking in the sphere of marketing.

By the development of marketing techniques, commensurate with the needs of enlarged production, we can develop not only home markets on a lasting basis but also place more Indian manufactured goods in international markets than before, and attain an equilibrium in our balance of payments position. We have, of course, to place the accent on the export of Indian manufactured goods to foreign markets so as to have as much return as possible in the shape of greater imports of a diverse nature. This would enable us to give further impetus to our industrial production and to gain prestige in the industrial world as a manufacturing power. At all events, export growth should constitute an indispensable part of the wider economic policy. Actually, it will influence various aspects of the national economy. The next chapter *The Outlook* has given export projections up to 1981. It has a vast coverage, showing that exporting is our greatest need to enlarge the productive apparatus of the country. That will go a long way in ensuring prosperity to the teeming millions of our country in the final reckoning.

Marketing as a Growth Stimulant

Marketing should break new ground every day as a growth stimulant. It must be clear to us that production depends upon marketing for its ultimate success. Today marketing has become a major instrument in the hands of industry. The instrument of marketing has to be employed with consummate ability for obtaining the best results in the field of production. It should acquire a special meaning so that it can play a large part in augmenting the productive capacity of the nation. We should develop a massive marketing apparatus if only because of the vastness of the country and the immense potential resources at the disposal of the nation.

A rare consilience of favourable factors with the country can promote the development of marketing, but that involves skilful manipulation of the national resources. At least there must be an upsurge in marketing thinking. That will enable the country to multiply its production by degrees. India has the capacity and the inherent strength to register spectacular progress in the economic field through marketing.

When opportunities are presenting themselves, India should not turn her back on them. She must gear up her marketing apparatus for facing the immense task of disposal of goods turned out by her industry. Marketing should prove a sort of growth stimulant in promoting the fortunes of the nation. Hence it is the paramount duty of all of us to impart an industrial bias to the national economy which would ultimately result in our achieving the central aim of planning, namely, better standards for the people.

All methods for furthering the interests of an economy, such as tariffs, import control measures, fiscal regulations, oligopoly, etc., are only means for correcting the imbalances in the economy, but it is marketing that ultimately decides the pace of economic growth. Marketing is, therefore, a growth stimulant. A tremendous responsibility lies on our shoulders to evolve an efficient marketing organization. In this way, there would be a transformation of the whole economy which would be reflected in a higher standard of living for the entire nation.

Marketing as a Long Drawn-Out Process

Our industrial production can increase by leaps and bounds if we developed this theme of industrial and consumer marketing. It should be woven into the fabric of the nation. If a carefully planned programme of marketing is pressed into service for industrialization, our industrial progress would be very rapid. As the pressure of the buyers' market builds up, it would be inescapably necessary for us to develop a sound marketing strategy in India's developing economy. Already the process has started, but its acceleration is an imperative necessity.

Marketing is both a process and an attitude of mind. If the country's industrialists develop a scientific attitude of mind towards marketing, it would benefit the consumer through reduced prices of manufactured goods, because of the greater economies effected through large-scale production. There is no doubt that many of our manufacturing industries are coming up against this problem, but what is desirable is that the pace should be quickened. Marketing will finally assert itself, though it may prove to be a long drawn-out process.

A new and more sophisticated rationale for releasing forces for the faster growth of the national economy will be provided

by marketing. Anyway, the problem of marketing will manifest itself at every stage of the accelerated growth of the Indian economy. It calls for reforms which require imagination, understanding, and creative thinking.

In India, the need for marketing reforms is all the greater as she has to hasten her economic growth. She must address herself to the task of marketing reforms in her developing economy, however difficult the task may be. Gratifyingly enough, a series of steps designed to give a boost to the marketing programme, particularly in the sphere of exports, has been taken. For example, a code of conduct for guiding exporters and manufacturers of goods for export has been formulated by the Ministry of International Trade (now Ministry of Commerce). According to the code, exporters should conform to high ethical standards in business, fulfil strictly all contractual obligations, improve and maintain the quality of goods and adhere to the time of delivery. It is also necessary that all exporting firms including manufacturers and exporters should sign a pledge to this effect. Similarly, another code may be devised in the case of the home-marketing programme so as to bring about marketing reforms as a first step in channelling the marketing improvements to the benefit of the Indian economy. There are signs, howsoever faint, which are heralding a new era of marketing in India, though, of course, by its very nature, it will be a long drawn-out process in the economic life of the nation.

Step by Step

The process of marketing development should proceed step by step for raising the country's industrial production so as to enable it to breathe fresh air without hindrance. That marketing should contribute to the continuing process of expansionism in industrial production calls for great ingenuity, as the existing apparatus of industrial production is at present incapable of bringing about improved living standards in the nation in consonance with the country's natural resources. As such, the role of marketing should progressively increase with every rise in industrial production. It is bound to play a crucial role in the industrial framework of the nation.

Marketing should constitute both an exciting and a challenging programme of development, for the opportunities awaiting

industrial expansion are no less than the obstacles in its way. Against the opportunities for industrial expansion should be mentioned the sombre fact of emerging competition. It would be the task of marketing to overcome all such obstacles arising on the industrial front. Marketing should grow unceasingly if the hopes pinned by the nation for substantial economic expansionism are to be realized.

Conclusion

Marketing, which can no longer be neglected, needs to be developed gradually with a great deal of manoeuvrability, so that it may ultimately prove to be a mighty weapon in the armoury of industrial production for fulfilling the continuing needs of a developing economy. We should be lulling ourselves into complacency if we think that production can look after its own interest. That line of erroneous thinking might prove disastrous for the nation.

Hitherto, little or nothing has been done in India in lifting the marketing system to a scientific plane, but that should not deter us from breaking new ground by stages in the complex terrain of marketing. We have to make good our past negligence in this regard and to work with redoubled speed. We must turn the wheel of marketing full circle so that our industrial potentialities are exploited to the ultimate good of the national economy.

Marketing is not a magic formula for success in production : it is an extremely useful tool for infusing dynamism into the apparatus of production. If it is used skilfully, it can help the country's economic growth to a far greater extent than all other working tools put together. Though the trial is great, the harvest will be greater. In the end it is the prospect of industrial greatness which should compel us to fix our eyes on marketing and make up all the deficiencies of the past in this respect. That is why it is better to develop a new concept of industrialization of sales, as this concept will place production and marketing in correct perspective. Clearly, the pace of Indian industrialization would depend, in the main, on marketing.

By developing a scientific marketing system in India's growing economy, we shall create the sinews for Indian

manufacturers to compete effectively in international markets. The country will have to tighten its belt and step up its export efforts. Despite all the schemes now in operation for improving the export potential of Indian industry, there are road-blocks in its path. Unless the path is levelled up by means of the skilful use of the weapon of marketing, we cannot achieve substantial progress. Neither will our home market be developed on sound lines nor the export markets be captured on a lasting basis. Therefore, marketing should be accorded its rightful place in the Indian economy.

A painstaking study of marketing in all its ramifications is worthy of attention as it promotes the most vital link with industrial production in the economic framework of the nation. We shall begin to pose a new set of questions to the process of economic growth. It will open up a new world which will colour our thinking on the problem of industrial production and condition our industrial progress. A well-thought-out marketing system will create a better and brighter future for industrial India. Here mere lip-service to marketing will not do. What is required is the significant break-through in the realm of marketing so that the nation's marketing system is worked out on scientific lines.

Since marketing organization is a link between the manufacturer and the ultimate consumer, an efficient marketing system is the *sine qua non* of all industrial progress of the nation. It is true that the maintenance of quality of manufactured goods is of prime importance, but unless it is made known to the ultimate consumer that the goods supplied possess good quality and are available at competitive prices, their production will be hampered time and again. It is only the weapon of marketing that will cut into the markets, both home and foreign, and strengthen the hands of manufacturers for continuance of the operations of production with greater vigour. Conclusively, the role of marketing in the scheme of industrial production is all-important, and concerted efforts at all levels are a major desideratum for imparting dynamism into the apparatus of production. That alone would make our 'great ascent' possible.

CHAPTER SEVENTEEN

THE OUTLOOK

Transformation of Indian Marketing

Marketing, a subject in its own right, has to be conceived in the wider context of economic growth so as to create a powerful tradition in economic thinking.¹ Our comparative barrenness of thinking on such a vital subject has been mainly responsible for the lopsided development of the Indian economy. The time has come when marketing ought to be regarded as a means for augmenting the productive sources of the nation, for it brings about an equilibrium between production and consumption. We have to pitch production in the right key and evolve a suitable marketing system by turning the search-light on marketing. 'The evolution of the marketing system of a country, the nature and number of problems it has to encounter and the relative importance of the functions it is called upon to perform are very closely related to the manner of production and consumption of the commodity or commodities in question. The patterns of production and consumption are in turn influenced by the physical and social features obtaining in a country. A country's climate, geography, its religion, the temperament and habits of its people, its social

¹ What is a subject ? Ordinarily, a body of knowledge is called a subject if it is recognized as a separate department of knowledge. Judged from this standpoint, it will be safe to say that even today all the world over marketing (agricultural, industrial, and consumer) has not acquired the title of subject barring, of course, America, though Europe is fast emulating the American example and countries like Italy have begun to accept marketing techniques as a potent instrument for the rapid expansion of production. It will certainly take some time for universities and other learned institutions to recognize marketing as a subject because economists have generally glossed over the economics of consumption and businessmen have too often been embroiled in the immediate problems of production. Production only became a subject for study in universities and other learned institutions. Marketing continued to be neglected in the scheme of production at the business level, and universities only emphasized the study of production as if it automatically covered marketing. In the context of such developments, it has been believed that production is a factor that governs marketing. It is now the task for marketing experts to reverse this trend of thinking by asserting that marketing is a factor that governs production. After all, the problem of increased production is largely a problem of marketing. That is why the sooner marketing acquires the status of a subject, the better it will be for the development of international trade and commerce.

and economic system and institutions, its production pattern—all these factors have an important bearing on the growth of its marketing system.² But this is not the whole truth. Marketing extends beyond the frontiers of a country. As such, we can only evolve an efficient marketing system when we begin to regard foreign markets as an extension of the home market in a dynamic setting. What is, therefore, needed for evolving a truly scientific marketing system of a country is to have an international outlook. Unless we shunt the car of marketing progress to the track of international collaboration, we cannot develop a broad-based system of marketing which can bring about suitable adjustments of each nation's output to the larger welfare of mankind. It is in this setting that we have to solve the great and vexing problems of Indian marketing in order to bring about a complete transformation in our country's marketing system. Indian marketing will be found to be the same as marketing abroad because the same theory and principles will have to be applied *mutatis mutandis* in the case of our country's marketing system. The way these are applied to Indian conditions against the background of international factors will vary with the stage of development of the Indian economy.

Overall Marketing Development

Marketing development is an intricate process. It is basic to the entire process of economic development. It is essentially a long-term process. It is much more difficult in the case of an under-developed country like India. One may recall the wise words uttered by Prof. Ragnar Nurkse : 'Industrialization for domestic needs in low-income areas runs from the very start into a difficulty well known to practical men and of great interest to economists. The trouble is this : there is not a sufficient market for manufactured goods in a country where peasants, farm labourers and their families, comprising typically two-thirds to four-fifths of the population, are too poor to buy any factory products, or anything in addition to the little they already buy. There is a lack of real purchasing power, reflecting the low productivity in agriculture. The other side of the coin is that the local economy cannot supply the food

² R. S. Srivastava, *Agricultural Marketing in India and Abroad*, Bombay, 1960, p 9.

needed to sustain the new industrial workers.³ This is exactly the position of the Indian economy. In India about 70 per cent of her people are dependent on the land for their living, with agriculture and allied activities accounting for nearly a half of her national income.⁴ Her agriculture is conservative, tradition-bound and at times a gamble in the rains in spite of agricultural planning. It is normal to blame the shortfalls in agriculture on the vagaries of the monsoon. Shortfalls in agricultural output are attributed, year after year, to excessive rains in certain parts, droughts in some places, floods in still others, and a cold spell in some other parts of the country. India is unable to feed her growing population on home-raised agricultural produce. It is a pity that in spite of its preponderant importance in the national economy, agriculture is a depressed industry which has been left in large measure to fend for itself. It is acknowledged on all hands that Indian agriculture, judged by the test of quantitative production, has remained backward and unprogressive. Naturally, therefore, the agriculturist is unable to play any dominant role in the purchase of factory goods. Unless agricultural improvement is recognized as an indispensable condition of Indian industrialization, the country's economic development will continue to be hampered owing to a lack of real purchasing power in the hands of a great majority of the Indian people.

The country's economic development is obviously a formidable task. It calls for great efforts on all fronts. An important front is that of marketing. It should be possible to step up the accelerator of the Indian economy provided marketing is given the attention it deserves in the scheme of planned economic development. It should be very clear to us that in the past purposeful marketing proved difficult for the industrial countries of the world which went through the process of economic development, and it will prove to be so for the under-developed countries like India which are undergoing the process now. Unless a realistic approach is made to the problem of marketing and a down-to-earth study is made of

³ Prof. Ragnar Nurkse, *Patterns of Trade and Development*, Oxford, 1961, pp. 41-42.

⁴ See *India, A Reference Annual, 1964*, compiled by the Research and Reference Division, Ministry of Information and Broadcasting, Government of India, July 1964, p. 201.

the needs, tastes and habits of the consumer, we cannot impart basic strength to the economic development of India.

An industrially resurgent nation such as India must tackle the complex problem of marketing of Indian manufactured goods with sufficient dynamism and imagination to get rid of production crises which crop up every now and then in practically all manufacturing industries. The pace of the country's future progress will depend largely upon the problem of marketing. It will provide the key to accelerated economic development of the country.

Marketing is not a panacea for all the ailments from which production suffers, but it does provide ready-made answers to many and varied problems of production, for it is marketing that restores a proper balance between demand and supply. An extensive knowledge of marketing is essential for correcting any imbalances between demand and supply. We can no longer afford to be guided by opinions or inspired hunches in the field of production. We need scientific knowledge of marketing in all its ramifications.

Although we have to rely mainly on the home market which absorbs 94 per cent of the gross national product, we cannot ignore foreign markets which not only constitute the corrective forces, but, more important still, also place our expanding economy on an even keel. We should turn more and more to foreign markets and consider them merely an extension of the home market. That is an attitude we should adopt in the realm of marketing for the enlargement of the Indian economy.

Since 1951, India has been faced with a substantial gap between her import capacity as measured by the trend in her export earnings and her import needs as dictated by the character of her Five-Year Plans. It is almost axiomatic to say that exports earn currency to pay for imports. When it is not possible to have adequate export earnings, import restrictions become necessary. India provides a good example of such a country. Whereas her export earnings financed 83.4 per cent of imports during the First Five-Year Plan (1951-56), this percentage went down to 56.2 during the Second Five-Year Plan (1956-61). It is expected that export earnings will be able to finance only 58.3 per cent of her total

imports during the Third Five-Year Plan (1961-66). Great efforts will be needed to raise export earnings under each subsequent Five-Year Plan. In this chapter we shall consider export projections up to 1981 which will mark the end-year of the Sixth Five-Year Plan (1976-81).

To achieve solid and spectacular results in the field of the country's export trade in Indian manufactures, it is necessary that our manufactured products should become internationally competitive and commercially stable so that they may hold their own in world markets. Obviously, a wider programme of dissemination of marketing information in relation to the export promotion measures is called for so as to strengthen the export activity of the nation at the base. The Third Plan visualized the same in these words: 'It is also hoped to strengthen the existing arrangements for enabling India's commercial representatives in foreign countries to provide adequate intelligence regarding overseas markets and to make these available to Indian industry and trade and, generally, to promote the country's foreign trade as intensively as possible.'⁵ Surely, adequate marketing intelligence is the need of the hour if it is really desired to maximize our export earnings. Before exports can be promoted, marketing intelligence must be firmly developed and the same should be made available to the Indian business community. We shall have to build up an entirely new image before consumers abroad can be persuaded to try out ever-increasing quantities of Indian manufactured goods. Marketing intelligence will have to be brought into correct focus by India's commercial representatives stationed abroad, so that India's export promotion programme may be taken forward towards viability.

Accent on Exports

It has been evident that in developing countries like India, an accent on exports is a major desideratum, for a developing economy needs an increasing volume of capital goods and basic industrial raw materials for sustaining its needs. It also requires an increasing volume of components and parts from abroad for promoting the complex industrial development after a certain degree of industrialization has been attained. This

⁵ See *The Third Five-Year Plan*, 1961, p. 140.

import requirement has to be met ultimately through larger exports. Hence it is imperative that exports should keep on increasing year after year in order to boost such an economy. The Indian economy finds itself in such a position. A new wind of change has to sweep across our economy, revitalize sagging economic growth and poise the economy for a spurt forward. It must necessarily lay emphasis on exports if it is desired to transform it into a high-gearred economy.

It is an axiom that increased exports will flow from increased production, which is again the function of a steadily growing economy. It is assumed, however, that domestic consumption must be held within reasonable limits with a view to creating surpluses for exports. Thus increased production and subdued home consumption coupled with a dynamic export policy, would produce the necessary effects on the Indian economy. Sir Donald MacDougall, writing on 'India's Balance of Payments Problem' in a recent book *Pricing and Fiscal Policies*, mentioned succinctly that in the case of India the most important need is to achieve a massive increase in exports. He says : 'The first and fundamental requirement is a recognition by all concerned of the magnitude of the task and of the vital need to achieve a really massive increase in exports if India's economic development is not to be seriously jeopardized. Exports must no longer be regarded as a means of getting rid of unwanted surpluses that have unfortunately arisen. The government must accept a large increase in exports as a major objective of economic policy and give it high priority. Ministers must take difficult decisions on general policy, involving much more drastic measures than have been taken hitherto ; and there must be effective machinery for carrying them out without delay and for taking rapid decisions on the many detailed problems that will constantly arise.'⁶

At home, a sheltered market with a large unsatisfied demand enables the Indian manufacturer to earn relatively much higher profits on domestic sales. This lure of easier gains on domestic sales has to be resisted and sufficient supplies of goods and commodities have to be assured in some regulated manner in the long-term interest of the country's export trade. The two

⁶ P. N. Rosenstein-Rodan (Editor), *Pricing and Fiscal Policies*, George Allen and Unwin Ltd., London, 1964, p.186.

facets of marketing often work at cross-purposes. A definite relationship between home and foreign marketing has to be established. An export pool scheme should be devised under which sales abroad should be arranged at a price lower than the domestic price. It would be in the fitness of things if we could emulate Japan in this respect where every manufactured product is exported at a price lower than the one assigned for the home market. This should be the cardinal principle in the scheme of Indian marketing.

It should be clearly understood that in the short run, export sales must be a losing proposition in several commodities and goods but there seems to be no way out during the period of interregnum for building up export markets on a long-term basis. This interregnum will, no doubt, cause us much headache, which, however, will enable us to attain marketing maturity in the long run.

The policy of organizing export promotion consistent with the internal economy of the country is going to yield good results in the coming years. So great has been the concern of the Government of India in this behalf that the Export Promotion Directorate of the Ministry of International Trade (now Ministry of Commerce) has been strengthened to look after problems relating to production, incentives, etc. The Board of Trade in the Ministry of International Trade (now Ministry of Commerce) set up in May 1962, has already proved its usefulness. All these are excellent beginnings which give us comfort that India will succeed in adopting new methods and techniques of marketing so as to be in a position to compete successfully with other countries and place her manufactured goods in all parts of the world, thus acquiring a great marketing power during the next decade or so.

The Rationale of Diversification of Indian Exports

Broadly speaking, it will be extremely difficult to secure a substantial increase in India's traditional exports. Traditional exports like tea, jute manufactures, and cotton textiles, accounting for nearly half our exports, do not hold out much promise for any significant increase in export earnings. To illustrate, one might start on this basis.

The largest Indian export is of jute manufactures which accounts for 21.4 per cent of the total export trade of the

country. This item of export occupies a key position in the Indian manufactured goods. The main thing is that this industry should continue to perform its vital role in the Indian economy. Practical considerations rule out better marketing prospects than those that obtain today. It is true that the jute industry's production of 1·3 million tons during 1963-64 was the highest in its history of more than a century, and its export of manufactured products valued precisely at Rs. 157 crores during that year is reassuring indeed. But the comparative prosperity of the country's jute industry obscures the fact that we are steadily losing ground to Pakistan in the export markets in sackings. Reports are now reaching us that Pakistan is planning production of hessian cloth on an ambitious scale. Nor is this all. The recent development of carpet backing cloth for tufted carpets is also being challenged in the American market which occupies pride of place in the scheme of export marketing for this industry's manufactured products. An American firm is reported to have developed a substitute which is claimed to be as good and cheap as, and more reliable price-wise than, jute. It is a non-woven bonded fabric made of petro-chemical fibres. The fabric is reported to have successfully passed through the tufting machines. It is being launched commercially in that market. As such, the Calcutta industry will have a hard time with tufted carpets which promised to compensate somewhat for the losses arising from shrinkage in the more traditional jute goods. Everything considered, this industry cannot be very helpful in influencing the course of export earnings for our country. We have to take a realistic view that there can be no likelihood of a sizeable expansion of sales of jute manufactures. One is tempted to quote Prof. W. B. Reddaway's opinion : 'The market has been static as a result of technical developments in the use of rival packing materials or of deliveries in bulk ; whilst again one should not regard selling efforts by the manufacturers as useless, and whilst there is scope for a reduction in the protection given to manufacturing industries in certain Western countries (including the United Kingdom), nevertheless a realistic view must be that the likelihood of a big expansion in sales is less than in the case of tea, and an

absolute decline would not be very surprising.⁷ While one may not agree with Prof. Reddaway about the declining prospects of the Calcutta industry in the immediate future, one is bound to agree that there are no possibilities for any big expansion in sales of Indian manufactured jute goods in world markets.

The second biggest Indian export, which accounts roughly for 18 per cent of the total export trade of the country, is tea. Export earnings from tea were 19 per cent in 1961.⁸ They represented exactly 16·8 per cent during 1963. They are expected to be around 17 per cent in 1964. Anyway, India is the world's largest tea producer and exporter with an annual output averaging 350,000 metric tons which represents 35 per cent of the world's output. She produces as much tea as Ceylon and Communist China, the second and the third leading tea producers, combined. She retains one-third of her domestic production for the home market and exports the remainder to world markets. 'Nearly all the tea produced in India is marketed and about two-thirds moves into export channels. It is a leading source of cash income in agriculture and a leading earner of foreign exchange.'⁹ It can be said that tea occupies the same position in agricultural production as jute manufactures in industrial production in so far as the country's export trade is concerned. During 1963, India exported 493 million pounds of tea valued at Rs. 133 crores which was the highest for the last five years. The Government of India is anxious to do its utmost so that this industry may continue to occupy its formidable position in the national economy. A welcome relief that the Government has under consideration is that expenditure on new plantings and replantations on virgin soil should be treated as revenue charges for purposes of income-tax with a similar pattern for purposes of State agricultural income-tax. We can at best increase the production and export of tea further by a small percentage. None

⁷ Prof. W. B. Reddaway, *The Development of the Indian Economy*, London, 1962, p. 27.

⁸ D. K. Rangnekar, *India, Britain and the European Common Market*, New Delhi, 1963, p. 145.

⁹ See *Trends in India's Agricultural Trade*, Foreign Agricultural Economic Report No. 15, issued by the U.S. Department of Agriculture, Economic Research Service, Regional Analysis Division, Washington, D.C., February 1964, pp. 9-10.

can expect spectacular results in this traditional item of export in spite of our very best efforts, including the one concerning the gearing up of the marketing apparatus. We can only expect that our export earnings will go up in proportion to the increase in the world's demand for tea. Of course, the rate of growth can be quickened by employing suitable marketing techniques in countries which do not drink much tea at present. Even so, we can only expect marginal increases in our share of the world trade.

The third largest Indian export is of cotton textiles. Although the export of cotton textiles is once again regaining lost ground to some extent, yet he would be a rash economist who would predict that the export earnings from cotton textiles would go up substantially. At present, foreign markets absorb some 10 per cent of the country's total production of cotton piecegoods. This figure was about 12 per cent a few years ago. But the export of cotton textiles has shown considerable decrease during the last three years and today the same has shrunk to only 10 per cent as stated above. We should consider ourselves fortunate enough if we can effect a marginal increase under the Fourth Five-Year Plan (1966-71) and hit the target of 1,000 million yards under the Fifth Five-Year Plan (1971-76) as visualised originally under the First Five-Year Plan (1951-56). This is all that can be achieved, assuming the marketing side of production is taken care of, and the industry is geared to the world economy at large.

From the foregoing, it becomes clear that the prospects of a substantial rise in India's export earnings are not good in so far as the traditional items are concerned. Admittedly, the traditional items of export cannot bring about any spectacular results in the field of export promotion. They can only bring about marginal increases in case the marketing system is improved a good deal. Marketing will have to play a decisive role in the scheme of things.

There should be no doubt that the key to India's enhanced exports lies in the non-traditional items. Although the traditional items will continue to occupy an important place in India's export list, it is the non-traditional items that will assume more and more importance in coming years. It is

time that greater efforts were made towards diversification of Indian exports in the international market. For example, the new engineering industries have to play a significant role in the exciting and unfolding drama of Indian economic development. Functionally, they mark the first stage of the beginning of a process of diversification. The second stage in this respect will be that of the development of the export trade in steel, of which the output can be increased considerably and for which there is a heavy demand in world markets. Steel is, in fact, the classic example of breaking new ground in the difficult terrain of export promotion. Obviously, we cannot make any substantial increase in our export trade unless we make a break with past tradition. And once we have done this, the stage would arrive when we could plan to export complete steel plants to several of the under-developed countries of the world. That would mean that India will have reached the zenith of her power. She would then be an important producer and exporter of Indian manufactured goods of all descriptions.

Economically, this is an extremely difficult operation. But if we can succeed in doing this, it will influence the course of the Indian economy. In any case, more and more attention will have to be paid in coming years to provide for larger exports on which will depend a faster growth of the Indian economy. It will involve considerable short-run material sacrifices, so that our export markets are built up step by step, in order that one day we may become a world power. But with goodwill and understanding on all sides and with our grim determination to march ahead, it is possible to reach such a stage in our economy. That alone will really make India a world power.

The new engineering products which are being manufactured in India can well compete with those of the more advanced countries of the world. There is no doubt that some of the Middle East Asian markets can be captured in the near future. Even European and American markets can be captured without much resistance on their part. The progress made during the last few years has by no means been insignificant. In fact, India's exports of engineering goods more than trebled from 1956 to 1963. Whereas in 1956 the total value of

exports of Indian engineering goods was placed at Rs. 4.08 crores, it had risen to about Rs. 13 crores in 1963. The same was exactly Rs. 13.5 crores in 1963-64. It has since gone up still further. The major items amongst engineering goods are aluminium wares, cast iron products, diesel engines and parts, electric fans and parts, railway accessories, sewing machines and parts, aircraft parts, etc. A large variety of machinery is also exported. Here jute mill machinery, textile machinery, tea machinery, sugar mill machinery, shoe-making machinery and oil mill machinery constitute the more important variety of such capital goods and heavy equipment. The prospects for the export of such heavy equipment are becoming increasingly bright day by day. They are a symbol of India's manufacturing maturity. But she has to pay some very considerable attention to the domain of marketing. We have been accused time and again of paying insufficient attention to the requirements of our customers abroad, of spending too little on market research and promotion in the overseas market, of relying too heavily on the local agents instead of sending out senior executives from India for tackling problems of 'high-pressure salesmanship' and 'after-sales services' for such heavy products. We have to correct ourselves and improve our marketing apparatus so that we can take advantage of the international situation which is turning more and more in our favour. A scientific marketing campaign should be launched immediately so that such capital goods and heavy equipment may win permanent markets and impart resilience to the Indian economy.

India as a new, resurgent nation, has to be given a fair chance in the world's markets for these and many more industrial goods and equipment. We have made only a beginning and there seems to be considerable room for expansion of our export trade in these fields. However, the extent of our success in this connexion will depend not only upon the degree of reduction in tariffs and other barriers in the importing countries of the world, but also on the marketing arrangements that we will make in the years to come.

Not only have we to think in terms of exporting steel in a big way, but we will have to be ambitious enough to think in terms of exporting complete steel plants as a long-term

proposition. Historical parallels can no doubt be drawn. In fact, we are being helped at present in this regard by the U.S.S.R., West Germany, America, England, Austria and other advanced nations of the world. The day is not far off when we, too, will act similarly. That is a long-term affair. It does appear that by the time the country attains the self-generating stage, say in 1981, India will have become an advanced industrial nation.

The value of such newer products should not be judged merely in terms of quantity ; their qualitative significance is of greater consequence. Now that diversification needs more dynamic and imaginative handling in developing the export potential of the country, exportable surpluses will have to be created for Indian steel and steel products to make a quantitative difference in the country's export trade. The country has vast scope, and no efforts should be spared in achieving the diversification of Indian exports on the basis of the rationale outlined here.

Recent Export Performance, the Outlook and the Task Ahead

The recent export performance has been, by and large, gratifying. For example, the export performance for 1963-64 at Rs. 794 crores—highest on record so far—signifies the first milestone in the direction of an ambitious plan. Besides the considerable increase, there are other causes for satisfaction. The increase has been on a wide front, with our traditional items doing well and the newer entrants in the export field showing signs of vigour. In addition, the direction of the export trade has been of a kind that indicates a certain innate strength rather than an artificial show of vigour resulting from 'captive' exports. The largest increase in exports has been in respect of Asia and Oceania, followed by West European countries, including Great Britain. The American and the Russian markets, too, have registered sizeable increases in exports and came next in order of importance. It can be said that the level of exports will henceforth continue to rise, reaching the level of Rs. 840 crores by the end of the Third Five-Year Plan, i.e. during 1965-66. The table on page 358 represents the exercise in forecasting India's exports during the Third Five-Year Plan (1961-66) .

ESTIMATES OF EXPORTS FOR THE THIRD FIVE-YEAR PLAN (1961-66)
(Rs. Crores)

Items	Actual		Estimated*			Total Third Plan Estima- ted Exports
	1961-62	1962-63	1963-64	1964-65	1965-66	
Fish and fish preparations	3.9	6.5	7.0	8.0	10.0	35.4
Cashew kernels	18.1	20.5	22.0	23.0	25.0	108.6
Other fruits & vegetables	7.3	8.0	9.0	9.5	10.0	43.8
Spices	17.6	17.0	17.0	17.5	18.0	87.1
Sugar	15.4	15.0	16.0	16.0	16.0	78.4
Tea	122.4	130.0	135.0	135.0	138.0	660.4
Tobacco	14.9	19.0	19.0	19.0	20.0	91.9
Coffee	9.0	9.0	9.0	9.0	11.0	46.0
Total food, drink & tobacco	208.6	224.0	234.0	237.0	248.0	1,151.6
Vegetable oils and oilcakes	27.6	41.5	42.0	46.0	50.0	207.1
Hides and skins (raw)	8.3	8.0	8.0	7.5	7.5	39.3
Raw wool and hair	9.0	8.0	8.5	9.0	10.0	44.5
Raw cotton and cotton waste	20.4	15.0	17.0	17.0	17.0	86.4
Other textile fibres	3.8	4.5	5.0	5.5	6.0	24.8
Gums, resins and lac	6.8	8.5	8.0	9.0	10.0	42.3
Total other agricultural products	75.9	83.5	88.5	94.0	100.0	444.4
Mica	9.5	10.5	10.5	11.0	12.1	53.7
Iron Ore	17.5	21.0	25.0	35.0	40.0	138.5
Manganese ore	10.4	12.0	12.0	13.0	15.0	62.4
Other ores and scrap	8.7	7.0	8.0	8.0	8.0	39.7
Coal and coke	2.4	3.0	3.0	3.0	3.0	14.4
Petroleum products	3.5	3.0	4.0	4.5	5.0	20.0
Total minerals	52.1	56.5	62.5	74.5	83.1	328.8
Leather and manufactures	25.5	30.0	30.0	30.0	32.0	147.5
Footwear	2.4	3.3	3.5	4.0	4.5	17.7
Cotton fabrics	48.4	57.0	57.0	60.0	65.0	287.4
Art silk fabrics	5.7	9.0	9.0	9.0	10.0	42.7
Woollen manufactures	4.4	7.0	7.0	7.0	8.0	33.4
Jute manufactures	143.7	150.0	135.0	140.0	140.0	708.7
Coir & coir products	11.4	10.0	10.5	11.0	11.5	54.4
Total leather and fabric manufactures	241.5	266.3	252.0	261.0	271.0	1,291.8
Metal manufactures, including iron & steel	6.9	8.0	13.0	15.0	15.0	57.9
Ferro-manganese	5.0	5.0	5.0	6.0	6.0	27.0
Engineering goods	7.3	15.7	17.0	20.0	22.0	82.0
Total manufactured products	19.2	28.7	35.0	41.0	43.0	166.9
Other exports	50.5	52.0	80.0	83.0	82.4	358.4
Total of above	656.8	714.0	752.0	691.0	828.0	3,741.8
Re-exports	5.2	6.0	8.0	9.0	12.0	40.0
Total exports including re-exports	662.0	720.0	760.0	800.0	840.0	3,782.0

* Figures are provisional and subject to revision

The table, when analysed, indicates that the total exports for the Third Five-Year Plan (1961-66) will be of the order of Rs. 3,782 crores. The recent export performance holds out hope that this target will be reached and hit notwithstanding the earlier shortfalls in this regard. Here the various items with their estimated export earnings make interesting reading. Whereas the actuals are given for 1961-62, estimates of export earnings have been worked out for subsequent years. Here the actuals of 1962-63 show that the estimated export target of Rs. 720 crores for 1962-63 fell short by Rs. 6 crores, but the same was exceeded by Rs. 34 crores during 1963-64 when the export earnings reached the all-time record of Rs. 794 crores. Judging from the current performance in the field of export trade, it is to be hoped that the total export trade during the five-year period of the Third Plan would surely be Rs. 3,782 crores.

The above analysis emboldens us to think that we can achieve substantial increase from our export earnings under future plans in case suitable adaptations are made in home consumption. We must establish a definite relationship between home and foreign markets for Indian manufactured goods, particularly now when the quantum of foreign aid, etc. will be drastically cut because of international events, necessitating a more comprehensive base for export promotion.

We may now go ahead and see the export projections for the Fourth Five-Year Plan (1966-71). The Board of Trade set an export target of Rs. 5,100 crores for the Fourth Five-Year Plan. At a meeting of the Board held at Delhi on August 19, 1964, the target for the final year of the Fourth Plan was fixed at Rs. 1,100 crores. Surely, we have to increase our export earnings at a rapid speed. There is a consensus of opinion among experts in this country that India will continue to face acute shortage of foreign exchange for several more years at least, and therefore the above export projections gain added significance. Though the task is a formidable one, a few steps have already been taken by the Ministry of International Trade (now Ministry of Commerce) to gear the economy for foreign trade. Many more steps are going to be taken so that the rising expectations in the field of exports are somewhat

fulfilled to the great advantage of the Indian economy. It has dawned on New Delhi that merely talking about export promotion cannot carry us very far in the international markets which are basically 'choosy'. Our export strategy should not merely concern itself with export incentives; it should essentially be based on a detailed study of the individual commodities, their domestic consumption, their export surpluses, reduction in the costs of output, and, above all, improvement in the marketing system. Sir Donald MacDougall observes: 'Even if sufficient supplies are made available for export, they cannot be sold unless prices are competitive. Measures to reduce costs will take time to bear fruit. In the meantime, if India is to achieve the large expansion in exports that is necessary, it seems essential that a good many exports should be sold below the domestic-price and sometimes even below the cost of production.¹⁰ It is only then that we can hope to win international markets on an enduring basis.'¹¹

Another thing that may be mentioned in this connexion is that following the creation of the Indian Economic Service and the Indian Statistical Service, it is expected that our trade missions abroad and also the commercial attachés to our embassies will be drawn from amongst these cadres. Experience so far gathered has shown that the commercial counsellors, attachés, and other officials in charge of our trade commissions are either unfamiliar with problems of marketing, or incapable of providing practical assistance or guidance to Indian businessmen going abroad, or are quite indifferent to their professional duties and obligations. Some of them are reported to be behaving like high-brows. No wonder then that few of

¹⁰ P. N. Rosenstein-Rodan (Editor), *Pricing and Fiscal Policies*, George Allen and Unwin Ltd., London, 1961, p.191.

¹¹ Prof. John P. Lewis in his admonitory book *Quiet Crisis in India* has also pointed out: 'One final method of assisting exporters to engage in international price competition should, in India's circumstances, by no means be foresworn. That is resort, by one means or another, to a double pricing system, wherein foreign buyers of Indian products are charged lower prices than are domestic buyers, and suppliers, nevertheless, are motivated to sell abroad at these lower prices. Such differential pricing, practised by many countries in many guises, does not, to be sure, measure up to the standards of the ideal system of freely flowing international exchange, towards which most governments of goodwill, including the Indian, aspire. But it is a foible that a country in India's straits certainly should be permitted.' (See John P. Lewis' *Quiet Crisis in India*, published in India by the Brookings Institution through Asia Publishing House, Bombay, First Indian Edition 1963, pp. 240-1.)

our businessmen care to call on our trade missions. On the contrary, they much prefer to avail themselves of the good offices of the departments of trade of the foreign governments which are usually well posted with up to date information and which are really helpful with their marketing and other services. If, however, we begin to draw on experienced men from these two new cadres, they will prove to be the prime movers in the current export promotion drive. India's export interests should in all fairness be represented by people with proven merits. In fact, the whole structure needs to be overhauled if the export performance is ever to reach the expectations of the national economy which is now on the march. We must hope that the new cadres will be able to blaze a new line of approach.

Export marketing is such an exceedingly difficult and complex affair that only those possessing the widest experience can be successful. Of course, it is not basically different from home marketing as has been pointed out in Chapter V of Part I. But it calls for the preparation of shipping documents, insurance against marine risks, compliance with exchange control regulations, consular requirements and other documentation, and several other cumbersome procedures. Therefore, export marketing becomes much more difficult and complicated and, as such, only specialized institutions and agencies can do export marketing in an effective way. Henry Deschampsneufs remarks : 'All that is specially required in export trade is that these principles (of home marketing) be carried out in each individual overseas market as separate marketing operations, because the export market as a whole is composed of a great variety of local customs and widely different sets of wants. The way marketing principles are applied will vary, therefore, according to which overseas market is being tackled, because the needs of its consumers will vary. And it is these which are of paramount importance, not the needs of the producer. Export marketing today calls for a wider diversification of effort, allied to a greater concentration of planning in each overseas market than at any previous time.'¹² Luckily, we now have scores of export houses

¹² Henry Deschampsneufs, *Selling Overseas : The Principles of Export Marketing*, London, 1960, p. 27.

which are receiving government help in many ways. The Government has a well-planned scheme for the recognition of export houses. Any limited company consisting of persons with specific standing in the export business may apply for recognition as an export house, if it has an export turnover in a wide range of commodities and has a wide programme of exports. Once the Government's recognition is procured, the export house is entitled to several benefits. The export houses which are being developed very fast in this country, are of immense use in channelling abroad goods of quality to those who are likely to buy them, instead of asking all manufacturers to go into the unknown export field which demands sufficient knowledge and entails considerable hardship. These recognized export houses have a 'feel' for the markets concerned. The advantages these export houses can offer to the manufacturers are numerous. 'By serving the pooled marketing needs of many manufacturers, they can establish overseas organizations and develop concentrations of specialized market knowledge and marketing skills that no single manufacturer could afford.'¹³ In fact, the need of the hour is the creation of a large number of export houses on well-regulated lines. A good foreign trade policy should deliberately provide for the building up of a cadre of efficient export houses which should accept the total commitment to concentrate on export trade and which should possess the required qualifications and the adequate resources to undertake overseas marketing on a planned basis.

Effective marketing in international markets is like a series of, gigantic pipelines through which goods and services pour making them instantly available to all who can be persuaded to purchase them. To achieve this, the marketing system of a country must be extremely efficient. It is the responsibility of these export houses to bring about this state of affairs for Indian goods in international markets. Sir Donald MacDougall rightly remarks : 'The provision of capacity to export will not, however, be enough. The exports have to be sold ; and getting into foreign markets for manufactures can be a slow, difficult, and expensive business, quite different from that of selling primary products in highly organized

¹³ Prof. John P. Lewis, *op. cit.*, p. 242

world markets (although the marketing of some primary products admittedly requires a high degree of skill and experience). Markets for manufactures are imperfect. Success in selling depends not only on price, though this is very important, but also on quality, attention to local needs and preferences, quick delivery, effective advertising, employment of right agents, facilities for after-sales service, the provision of spare parts, and so on. Moreover, since competitors will often fight hard to preserve their share of the market, exporting manufactures is a much more competitive business than producing for a highly protected home market where often there are few competitors.¹⁴ Thus it is quite necessary for Indian exporters to be thoroughly acquainted with the techniques of international marketing so that a sound marketing system can be evolved within the framework of the international economy.

The different markets of the world offer different opportunities. Rapid strides have recently been made in the Soviet bloc countries. The trade with these countries is growing rapidly and steadily. The volume of India's trade with the eight East European countries during 1955-56 was Rs. 16 crores. The same expanded more than twelve times during the next eight years as is shown in the table overleaf.

Since the trade policy of these countries is no longer based on the doctrine of self-sufficiency, they have begun to trade with India in a big way. India should welcome an opportunity of increasing her exports to the U.S.S.R. market and other East European markets lying within the ideological influence of that country. It is true that the standard of living of most of these countries with the exception of Russia is much lower than that of the Western countries with the result that consumption of several consumer goods is far below saturation point. But as the living standards rise in these countries and they become more and more outward-looking, there should be vast scope for a much greater supply of consumer goods such as cotton textiles, leather goods, woollen fabrics, tea and the like. Here persuasive salesmanship will be needed at each and every stage. These countries can in turn export machi-

¹⁴ P. N. Rosenstein-Rodan (Editor), *Pricing and Fiscal Policies*, George Allen and Unwin Ltd., London, 1964, p.199.

nery and other capital equipment to India. From India's point of view, it is most relevant to consider the capacity of East European countries for exporting capital goods, machinery and other heavy equipment, as these are the products which are bound to figure high on India's import list for several years to come. Now that these countries under the trade bloc known as Council of Mutual Economic Assistance (COMECON) have begun to take advantage of the international division of labour, India would do well to tap them and bring about a favourable effect on her economic growth. But what is needed most is long-term planning in the realm of marketing. Basically, long-term agreements serve as a form of mutual insurance in that they assure the importing country of a fairly secure supply and the exporting country of a guaranteed market. This is good on balance for India. India should ensure that the present short-term arrangements with these countries are switched on to long-term arrangements as with Russia, so that we can exploit these opportunities fully and do forward planning for the good of the Indian economy.

Africa has been taking from us goods and commodities worth more than Rs. 50 crores a year. In future, the African countries and some of our South-East Asian neighbours will require machinery of the kind we are now able to export, provided we can give deferred credits and make attractive bids for large contracts. Africa presents a greater undeveloped potential market for Indian manufactured goods than almost any other part of the world, in spite of the current political difficulties, caused particularly by Communist China which is joining the nuclear race as a member of the nuclear Powers. Nuclear experts do not doubt India's capacity to catch up with and overtake Communist China, but India is a firm believer in *Panch Sheel* and wants to compete with other nations in a friendly spirit as shown in Chapter XIII (See pages 264-265). She only wants to develop her trading relations with these countries for the mutual advancement. In view of India's growing participation in the economic development of Africa, there are bright prospects for increased trade with this part of the world. Unfortunately, lack of shipping facilities is a serious hurdle in the way of Indo-

INDIA'S TRADE WITH EAST EUROPEAN COUNTRIES

(Rupees Lakhs)

Country	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63
<i>Imports</i>	..	..	..	..	..	..	..	..
1. Bulgaria	10,86	32,09	38,19	30,80	35,42	44,31	87,62	110,13
2. Czechoslovakia	3	22	13	8	24	54	96	2,37
3. East Germany	2,89	7,27	5,48	5,78	4,54	8,76	15,02	19,71
4. Hungary	37	40	63	2,00	2,67	3,31	5,64	7,82
5. Poland	41	66	79	1,29	1,97	2,02	5,61	2,96
6. Rumania	43	4,44	3,00	2,30	4,19	4,42	9,16	8,13
7. U.S.S.R.	32	19	63	54	1,64	4,95	3,83	2,61
8. Yugoslavia	6,21	16,91	24,47	17,21	17,19	15,87	39,94	58,64
	20	2,00	3,06	1,60	2,98	4,44	7,46	7,89
<i>Exports</i>	..	..	..	..	..	..	..	..
1. Bulgaria	5,29	21,48	24,21	34,24	49,07	49,55	63,81	92,68
2. Czechoslovakia	2	5	2	14	17	19	89	1,70
3. East Germany	1,33	3,26	3,38	4,02	5,02	7,30	8,10	11,55
4. Hungary	2	46	1,50	1,17	2,91	3,29	4,55	8,49
5. Poland	8	49	38	76	71	1,37	4,76	6,43
6. Rumania	33	1,24	92	88	4,93	3,87	4,51	11,59
7. U.S.S.R.	1	22	56	44	2,37	1,39	2,61	3,38
8. Yugoslavia	3,26	15,50	16,66	25,90	30,38	28,81	32,21	38,25
	24	26	79	93	2,58	3,33	6,18	11,29

Source: Department of Commercial Intelligence and Statistics.

India can buy larger quantities of non-ferrous metals and fertilizers from these countries in order to correct the structural disequilibrium in the balance of payments position. It is time that she chalks out a well-conceived export promotion plan so that these markets can absorb considerable quantities of Indian manufactured goods.

The rich markets of Western Europe take very little from our country and the barriers set up by the European Common Market (E.C.M.) remain to be surmounted. It is not so much the tariffs and the quotas, as the absence of contacts and commercial relations that limit our trade with these countries. An organized effort should be made to have an extensive market coverage of these areas so that Indian goods and commodities may penetrate effectively in these markets. We should forge more and more links with these markets. In fact, trade relationships do prove the classic theorem of trade being of benefit to both the sides. Prof. Man Mohan Singh is right when he says : 'Western Europe is the largest trading area in the world and it is also the world's second most important source of external assistance—both with capital and technical knowledge—to the under-developed countries. It is therefore natural that these countries should watch the movement towards economic and political integration in Western Europe closely. If they have followed the progress of this movement with some misgivings it is because of uncertainty about the future economic relations of an integrated and therefore much more powerful Europe with the rest of the world. Given a sufficient awareness of the needs of the poorer countries on the part of European nations economic integration in Europe could work to the benefit of all countries—rich and poor. Thus in so far as integration leads to an acceleration in the rate of economic growth in Western Europe it will add to Europe's capacity to import and also to render economic assistance to the under-developed countries. In addition, accelerated growth in Europe will provide the right atmosphere for inducing the industrial countries of Europe to modify their industrial structure so as to provide for an increasing volume of imports of simpler manufactures from developing countries like India : for the social and economic costs involved in a re-allocation of domestic resources in a

given country tend to be less keenly felt in a growing economy than in a stagnant one.'¹⁵ And as India affords a typical example of a growing economy which has successfully and effectively broken the shackles of a stagnant economy under the impact of developmental planning, she should develop closer contacts and more intimate commercial relations with these markets which will prove beneficial to her planned economic development

Regarding the United States of America, we have not so far sold Indian goods to any significant extent, barring, of course, jute manufactures, tea, etc. There is immense scope for a variety of exports to this market which is by far the richest and most extensive market in the world. The New York World Fair which commenced on 22nd April, 1964 and which is likely to last until 18th October, 1965, would help us in this direction. Already, millions of Americans have seen for themselves the changing face of India—the composite face—on the one hand, modern, industrial India, on the other, our ancient land with its rich cultural heritage. The Indian pavilion with its theme of 'Progress in Democracy' has drawn the admiration of Americans. The Indian pavilion stands out as an attractive blend of contemporary design and traditional inspiration among the myriad towers, domes, pylons and even more strangely assorted shapes that have arisen over more than a square mile of the fair ground earmarked for it. On the ground floor of the pavilion, masterpieces of sculpture and painting, furniture in brass and wood, modern in design but Indian in tradition, together with decorative pieces from all over the country and the finest textiles and handicrafts provide a distinctive image of India's cultural achievement through the ages. On the first floor, models, photographic panels and samples of significant Indian manufactured goods provide a graphic demonstration of India's economic development through her Five-Year Plans. It is expected that Americans will be interested in buying Indian manufactured goods in due course. We on our part should do everything possible to explore such a rich and extensive market. 'India's *per capita* purchases from the United States

¹⁵ Prof. Man Mohan Singh, *India's Export Trends and the Prospects for Self-sustained Growth*, London, 1964, pp. 299-300.

increased from \$ 1.50 in 1960 to \$ 1.60 last year (1963). In contrast, the United States obtained only \$ 0.57 worth of goods from India in 1962 and \$ 0.63 in 1963. This imbalance can be corrected only through larger exports from India. The U. S. import market has been growing in size as well as in variety. U. S. consumers as well as industry are anxious to purchase foreign merchandise but they will do so only if imported articles are fully competitive both in respect of quality and prices. The increase in imports in 1963 from India was an encouraging development and every effort should be made by the industry and trade in India to sustain and strengthen this momentum.¹⁶ Quite obviously, India, in the van of technological progress, can sell a miscellany of Indian manufactured goods in the American market in case the vital need to export to that market is brought home again and again, thus imbalances in exports and imports can be avoided to the utmost extent possible. It may be noted here that the United States, while giving massive aid to Europe under the Marshall Plan, welcomed European goods in her vast market during the post-war years with the result that 'dollar shortage' became a thing of the past. India, too, can increase her exports to the American market provided she gears up her marketing system and takes advantage of the American goodwill for straightforward economic reasons.

Contiguous to the American market is the Canadian market. Canada is no doubt an industrially advanced country, but its population is increasing by leaps and bounds. Looking ahead, it is significant that Canada's birth rate is the highest among the industrially advanced countries of the world. Hitherto, the Canadian market has been mostly consuming Indian jute goods and a few other items including handicraft goods. Now India should enter this market in a big way. There is a large 'teenage' market in that country and India would do well to pay special attention to it, particularly if we wish to remain in business when the teenagers have grown up over the years. It is important to consider that Canadians may be under constant pressure to think American, buy American and live American, but they must, nevertheless, be treated as Canadians.

¹⁶ See *The Journal of Industry and Trade*, Trade Prospects Number, issued by the Directorate of Commercial Publicity, Ministry of International Trade, Government of India, May 1964, p. 901.

While developing the export strategy on the above lines, we should not forget that Great Britain which has traditional ties with India, is our biggest market. Mr. Reginald Maudling, at the time British Chancellor of the Exchequer in Sir Alec Douglas-Home's Conservative Government, speaking at the Indian Journalists' Association's Republic Day dinner at London on January 29, 1964, said that the trade and financial links between India and Britain are by tradition very close and strong. This is as true today as it ever has been. He added that Britain's investment in India is of the order of £330 million more than all other countries together. He also said that Britain provides a market for almost a quarter of India's total exports. He felt that there will be a tremendous development over the next few decades in trade between the two countries. He went on to add : 'But I believe all who have any knowledge of India and any friendship for her people will share my belief in the great potential that lies in your country.' Really, Britain will continue to be the most important market for Indian goods. And as the Commonwealth markets are linked with the British system, bearing the imprint of the times, these markets, too, become very important from all points of view. They must be constantly nursed and developed. In fact, one would do well to go through once again the relevant section of Chapter XIII *Regulation and Control in a Planned Economy* where the fixing of priorities has been done on the three-fold basis of geographical advantage, historical connexions, and new link-ups. This should continue to form the rationale of export promotion in the broader setting.

An effort has been made to give a broad outlook of the country's export trade. We may now work out the export projections up to 1980-81 which is also incidentally the end-year of the Sixth Five-Year Plan (1976-81). The table on page 370 gives the export promotion programme which can only be realized if the marketing system is geared to the urgent requirements of the country's expanding economy :¹⁷

¹⁷ The two appendices marked A and B with their respective titles *Structural Changes in Indian Marketing*, and *A Statistical Study of Imports and Exports of Selected Manufactured Goods*, have shown how the process of Indian industrialization has led to impart industrial bias to the Indian economy which has now begun to acquire buoyancy under the impact of developmental planning. With the above export

PROSPECTS FOR EXPORTS : EXPORT PROJECTIONS
(Value in Crores of Rupees)

ITEMS	1962-63 (Actuals)	1965-66 (Estimated)	1970-71 (Estimated)	1975-76 (Estimated)	1980-81 (Estimated)
Tea	129.2	143	150	160	165
Coffee	7.6	10	12	15	18
Tobacco	18.9	20	22	25	27
Vegetable oils and oil cakes	45.0	60	65	75	85
Sugar	17.0	20	35	45	50
Spices	13.9	18	22	25	29
Cashew kernels	19.4	22	25	28	30
Raw cotton	12.2	12	10	8	8
Leather (tanned)	22.6	30	35	40	50
Jute manufactures	155.7	165	170	175	180
Cotton textiles	46.5	50	55	60	65
Art silk fabrics	8.1	10	16	25	30
Woollen manufactures	5.2	7	10	15	17
Coir yarn & manufactures	12.2	15	18	20	21
Iron ore	19.8	35	40	45	47
Manganese ore	7.9	12	10	10	10
Other exports	128.1	171	190	229	268
<hr/>					
Total exports excluding new manufactures	669.3	800	885	1,000	1,100
New manufactures	17.1	28	200	475	650
Re-exports	7.3	12	15	25	50
<hr/>					
GRAND TOTAL	693.7	840	1,100	1,500	1,800

An analysis of the above table reveals that India would be able to hit the export target of Rs. 1,100 crores by 1970-71 ; the same would become Rs. 1,500 crores by 1975-76 when the country will have attained the take-off stage. It is only by 1980-81 when the export target of Rs. 1,800 crores is likely to be hit that the country will have a self-generating economy. A minimum export target of Rs. 1,800 crores by 1980-81 seems to be an indispensable condition of self-sustained growth.

promotion programme up to 1980-81, the Indian economy will be further diversified and acquire an industrial character. But that will necessitate the development of the science of marketing. Naturally, the Indian economy which was bogged in the thought of the development of agriculture on primitive lines, has to be lifted out of the agricultural bias by imparting it an industrial character and yet developing Indian agriculture on scientific lines. Adequate attention will have to be bestowed on what is compendiously referred to as marketing (agricultural, industrial, and consumer marketing). It is to be hoped that the prospects for increased exports would become bright once our marketing system is geared to the ever-increasing requirements of the country's growing economy.

This would mean unprecedented efforts. We shall have to solve the thorny problem of marketing and establish a clear-cut relationship between home and foreign marketing. India has embarked on a new era and she will do well to emphasize that her success in this direction hinges on scientific marketing. Obviously, we shall have to exert to our utmost to exploit the available export potential of our traditional exports as well as do our very best in developing the newer products including steel and steel products, so that the self-generating stage in the Indian economy may be reached on well-calculated lines.

The inescapable conclusion is that India has to harness every ounce of energy in the realm of marketing to gain ground and meet the challenge of the modern age. She will have to bring about a definite relationship between home and foreign consumption of Indian products. We must necessarily take the difficult decision of restraining consumption at home and diverting production in a greater measure to the world's markets. Special attention, therefore, has to be given to the study of marketing, both home and foreign. Nothing is more important for the nation at present than marketing development. Admittedly, we must address ourselves to the task ahead so as to boost our exports to the maximum possible extent in the next few years ending with the Sixth Five-Year Plan (1976-81). That is why a suitable framework has been prepared and embodied in the table. This should form the working basis of the country's export trends in the years to come. There will obviously be no cut and dried solutions for bringing about such a state of affairs in the export field in the immediate foreseeable future. Nevertheless, marketing will hold the key for achieving success in this field. It need not be stressed here that the targets set out in the table are only tentative which will necessarily call for suitable adjustments. Plan after Plan, depending upon the changing conditions in the world economy *vis-à-vis* the Indian economy.

Provision of Deferred Credits for Marketing Development

As the problem of achieving an accelerated export growth of Indian manufactured goods has become the most important issue for India's economic growth, it is crucial to provide deferred credits for a large number of overseas markets so as to

enable them to purchase our capital goods, machinery and other equipment. It is not very necessary to provide deferred credits in the case of consumer goods, but certainly we cannot do without deferred credits the moment we begin to think of exporting capital goods and other heavy equipment. To provide such credits, the Government's decision to set up the Industrial Development Bank of India is a step in the right direction. One is reminded in this connexion of what our Finance Minister, Shri T. T. Krishnamachari stated in the Objects and Reasons for introducing the Bill on the Industrial Development Bank of India in the Lok Sabha on February 27, 1964. 'The existing arrangements for the provision of credit for the expansion or development of industry are not adequate in relation to the needs of the various enterprises or projects.' Now that the Industrial Development Bank of India has come into existence, it is felt that it will play a crucial role in promoting the country's planned economic development. It will be possible for Indian industrialists to provide deferred credits for the marketing development of the nation. The Bank should serve as the central co-ordinating agency which should be concerned, directly or indirectly, with all problems or questions relating to the long and medium-term financing of industry. It will have to assume a new role as a guardian of long-term and medium-term credits to Indian industry. It will pave the way for accelerating the economic growth of the nation. The real test of the success of the Development Bank will be seen in its efforts to assist the process of deferred credits for the marketing development of the nation. It is precisely here that this Bank has to play an effective role and justify its existence.

Gross National Product and Exports

A look at the table given on the next page which portrays the profile of the Indian economy up to 1980-81, will indicate that India's gross national product between 1965-66 and 1980-81 will rise by 191·7 per cent. The table is intended to give a close analysis of the subject by giving a quantitative measurement of gross national product. Of course, it is surrounded by the 'penumbra of uncertainty'. Even so, it represents the best approximations. The Indian economy can

only march ahead if it maximizes gross national product during the next few years ending with 1980-81. The table below constitutes a revealing study :

ESTIMATED GROSS NATIONAL PRODUCT (1965-66 to 1980-81)
(Figures in 100 Crores of Rupees)

	1959-60	1965-66	1971-76	1980-81
Foodgrains	41.3	50.0	75.0	97.5
Cotton	2.6	2.8	3.8	4.6
Jute	0.6	0.7	1.1	1.4
Oil seeds	3.6	5.2	8.9	15.2
Plantations	2.4	2.6	3.6	4.1
Other agriculture	37.6	41.4	53.8	61.9
Total agriculture	88.1	102.7	146.2	184.7
% Increase over 1965-66		(37.0)*	(42.3)	(80.0)
% Contribution to total Indian economy	(52.7)	(46.3)	(35.2)	(28.5)
Total Mining	1.6	2.1	4.1	5.5
% Increase over 1965-66		(31)*	(95)	(167)
% Contribution to total Indian economy		(0.94)	(0.94)	(0.85)
Iron & steel	2.4	3.8	11.8	21.3
Aluminum & other non-ferrous metals	0.2	0.3	0.8	1.4
Non-electrical equipment	3.2	4.9	11.1	17.2
Electrical equipment	1.0	1.8	5.3	10.7
Transport equipment	2.4	4.2	11.4	20.6
Chemicals other than petroleum	2.1	3.7	9.6	17.4
Petroleum	0.7	2.2	13.0	64.8
Fertilizers	0.3	0.4	1.5	2.6
Cement	0.4	0.8	3.1	6.2
Glass & wood, etc.	1.9	3.3	13.2	26.4
Food beverages & tobacco, etc.	14.5	23.4	40.7	50.0
Textiles	8.5	9.4	12.7	15.2
Jute & coir manufactures	1.6	1.8	2.4	2.9
Rubber & leather manufactures	1.5	2.4	6.7	11.8
Paper & paper industry	1.3	1.9	3.9	6.8
Electric generation & power	1.2	2.2	5.4	9.5
Other industries	1.0	2.0	6.0	12.1
Total manufacturing	44.2	68.5	158.6	297.0
% Increase over 1965-66		(55.0)*	(131.5)	(333.6)
% Contribution to total Indian economy	26.3	(30.9)	(38.2)	(45.9)
Railway transport & other transport	9.7	14.5	33.5	50.2
Trade margins & indirect taxes	24.2	33.9	72.9	109.3
Grand total (Indian economy)	167.8	221.7	415.3	646.7
% Increase over 1965-66		(32.1)*	(87.3)	(191.7)

* Increase over 1959-60.

Glancing through the table, it will be seen that the gross national product would be of the order of Rs. 646 hundred crores by 1980-81. This would mean that a very substantial increase will be brought about in India's gross national product by stages. As already stated, the country's gross national product will rise by 191.7 per cent between 1965-66 and 1980-81. And we have seen in the immediately preceding table on page 370 on export projections that there will be a progressive rising trend in the country's exports during these years ending with 1980-81. In actual fact, exports during the same period will rise by about 92 per cent. This means, in plain language, that the ratio between increased production and increased exports will be about 2 : 1. This defines precisely the overall scope of expansion of exports in relation to increase in production in our country. The two tables are thus to be read together to see the behaviour of exports in relation to the country's gross national product. In case the Indian economy is made to progress on these lines, it will be possible to transform the country into a modern industrial society, thereby its continued material progress will be assured. Obviously, marketing will be the chief contributor. The country's economic development on such a vast scale cannot be brought about through a passive adaptation to market conditions. On the contrary, marketing will actively influence the course of events and mould them according to the national requirements.

Marketing Adaptations

What specifically should be the marketing adaptations for increasing the quantum and monetary worth of India's exports? Unfortunately, no new techniques in international marketing have so far been adopted by India for winning world markets on a lasting basis. Several countries of the world have gone miles ahead of us. An outstanding example of this is Japan. Japan, which had her economy shattered at the end of World War II, has staged an amazing breakthrough by becoming once again a leading manufacturing power of the world. Through the adoption of modern techniques of marketing, Japan has rebuilt her war-torn economy beyond recognition. She attaches the greatest importance to

the development of foreign markets. There, marketing is resorted to by trading companies irrespective of the fact whether the goods are meant for export markets or for home consumption. Marketing to her is the co-ordinating function that determines the total effort. It is very much the centre of her economic thinking. It is functionally-oriented. Japan's marketing system has woven a philosophy of its own. In fact, she has succeeded in the uphill task of economic recovery because of her unique marketing system. It is marketing-mindedness that holds the key to her economic salvation. A nation that was noted for cheap quality goods over two decades ago, can now boast of such complex industries as iron and steel, fertilizers, chemicals, machine tools, durable goods, and all sorts of heavy equipment goods, comparable in quality and performance to those of any other country of the world. To Japan goes the credit of being the first Asian country which has given a new dimension to overseas marketing. What Japan is in Asia, West Germany is in Europe. In Europe, West Germany presents a most striking example in this respect. She pays ever-increasing attention to the marketing side of production. The remarkably efficient marketing organization of that country under which the closest relationship between the manufacturing and the mercantile classes has been established, has led to her marvellous resurgence. Unlike Japan, goods are generally marketed in the world markets by West Germany through the manufacturing channels which enter into voluntary agreements among themselves for the regulation of prices for the manufactured products intended for overseas markets. There is a growing consciousness among the Germans of the need to cultivate an image of German manufactured goods in international markets, which induces them to enter into voluntary agreements. This is the basic pattern there. Now the latest developments in marketing are coming over to West Germany from the United States of America. The U.S. is more advanced than them all. She attaches the greatest possible importance to marketing activity. She spends \$ 11 billion annually on advertising and over \$ 16 billion on packaging which means that these two facets of marketing together, when added, exceed India's total national income in a year. This alone will be useful

for an understanding of the marketing climate in the U.S. She claims to have originated the marketing revolution as England claims to be the originator of the industrial revolution. In her order of priority, marketing comes before production. But in India the concept of industrial and consumer marketing has yet to gain ground. We have to learn about marketing adaptations from the more advanced countries of the East and the West, so as to produce a happy blending of the two in evolving a suitable marketing strategy.¹⁸ That alone will accelerate the flow of exports unhampered by traditions and prejudices.

Paradoxical as it may seem, we have fine traditions in respect of agricultural production notwithstanding the fact that Indian agriculture is archaic, backward and tradition-bound. We prefer, for instance, Indian wheat to American, Canadian or Australian wheat. But when we pass on from agricultural to industrial and consumer marketing, the picture is precisely the opposite. If traditions cannot be set aside overnight, prejudices, too, cannot be removed all of a sudden. It is a gradual process both ways. As such, we have to build up a reputation for Indian manufactured goods rapidly and steadily so that we can create a favourable situation for our manufactured goods in world markets. We have to strain every nerve to bring about this state of affairs. We must create a belief in world markets that India can offer standard manufactured products comparable in quality and price with those of European and American origin. A reputation for quality and proper servicing facilities has to be established

¹⁸ At the outset we must understand the term 'strategy'. What is strategy? Strategy, plainly speaking, deals with the determination of specific objectives and the broad methods for their attainment by employing certain tactics to manoeuvre the desired results. As such, strategy may well be described as the comprehensive direction of campaign towards the attainment of broad aims in view which give us a decisive advantage. In marketing, our strategy, if rightly conceived and properly executed, will give us an ascendancy over others in the matter of marketing our goods. At home, foreign manufacturers cannot gain ground on us; and abroad, Indian manufacturers can challenge the earlier supremacy of other manufacturers and get a footing for Indian manufactured goods. In short, a well-conceived marketing strategy will enable us to secure a progressive rise in the level of Indian production which can be marketed at home and abroad. Strategy which is always long-range gives us a distinct advantage in manipulating the problem in an extremely effective manner. Clearly, it cannot be evolved overnight. It requires progressive continuous efforts over the years on the basis of a consistent plan. Readers would do well to look into Appendix C which has developed the theme of *Marketing Strategy in India's Developing Economy*.

through both persuasive and aggressive salesmanship. All this, no doubt, will take time. But once we have set up the basic marketing organization, the gains are likely to mount up quickly. Here the role of marketing will indeed be crucial. It is only through marketing adaptations that the battle on this front can be won in the long run.

The Role of Publicity in the Marketing System of the Country

Publicity may well be described as the midwife of marketing. It plays its part in promoting the health of marketing. By its continuous use, the marketing development is assured. Its importance is very great indeed in the case of foreign markets. Unless our overseas consumers come to know about our products, it would be naive to expect them to buy or even sample our products. Unfortunately, we have still to appreciate fully the impact of publicity in export promotion. To stimulate demand for our products, advertising by means of foreign mass media, trade fairs, fashion shows, demonstration stalls and various other methods must be taken up as vigorously as other promotional efforts so that a new image of Indian manufactured goods is created in world markets. Clearly, continuous and hard work over a period of years is needed for bringing about fruitful results. We have to realize increasingly that publicity has come to be recognized as a powerful instrument for creating public taste and starting new trends in marketing. We should be able to harness this medium to the broadest and fullest extent possible for accelerating the export tempo of Indian manufactured goods.

Conclusion

For projecting a vivid image of Indian manufactured goods in world markets, we have to sharpen our marketing tools. Perhaps never before has the need for evolving a suitable marketing policy been felt more than today when we have to attach a totally new significance to industrial and consumer marketing for avoiding the pitfalls in our productive system.

An adequate expansion of exports of Indian manufactured goods is needed for greater imports of industrial raw materials, machinery and other equipment, including components and parts, so that increased exports may pay for more diversified

imports to intensify the process of Indian industrialization. That is why an ambitious programme of export promotion has been chalked out.

Some economists, bearing in mind the nineteenth century growth of what are known as 'areas of recent settlement', place heavy reliance on foreign aid and foreign private capital ; but the experience of most of the under-developed countries has proved that foreign assistance does not solve the problem. The late Folke Hilgerdt used to call them the 'regions of recent settlement'. The contemporary experience of the under-developed countries points out the essentially unprofitable nature of such foreign aid, etc., in the final reckoning. It ranges from a high plus to a very low minus. The burden of repayment of interest on loans and capital on the balance of payments is excessively heavy and instead of solving the problem, it further accentuates it. In fact, foreign aid often tends to aggravate the balance of payments problem. In so far as India is concerned, she has been extremely fortunate all these years in the matter of foreign aid, particularly from America. We have utilized the same gainfully. It has so far been a high plus. The U.S. economic assistance to India from 1st April, 1951 to 31st July, 1964, has been of the order of Rs. 2,602.5 crores. As such, it exceeded by Rs. 246.5 crores the entire provision of investment in the public sector under the country's First Five-Year Plan (1951-56) which was only Rs. 2,356 crores. India, as a non-aligned country, aspiring to keep up the best possible relations with all countries, attracted aid from many other sources and, while each offer was relatively small, each was also free from political or economic conditions. The considerable burdens arising under developmental planning, necessitated large-scale aid from other sources. Several countries, big and small, came forward and obliged India. Fortunately, Russia came in a big way following the pattern of aid, for example, in the thirties in relation to Turkey. For such specific projects as Bhilai Steel Works and latterly Bokaro Steel Plant, she has made a strong, conscious effort to help India. But a stage has been reached in her economy when she should guard against the hazards inherent in a sea of turbulent ideological waves. It appears that the prospects of future economic assistance have now

become more problematical and may well turn out to be a very low minus in the long run. There is another point. Our foreign exchange resources have been greatly depleted. They stood at Rs. 92.83 crores on 24th July, 1964. Ostensibly, foreign exchange shortage is one of the most serious hurdles in the way of a faster rate of growth of the Indian economy. So we are facing a dilemma : and foreign resources are extremely meagre and the volume of foreign assistance is likely to taper off in coming years. As such, an all-out effort is needed for quickening the tempo of exports. The real solution to India's economic development in the context of a planned economy lies in greater exports through the process of diversification. Obviously, industrial and consumer marketing will prove to be the king-pin of success.

There is no study so beneficial and so elevating as that of marketing in applied economics (commerce). It is industrial and consumer marketing which is going to be immensely helpful in influencing the course of the country's planned economic development. It will prove an extremely useful instrument for breaking new ground in the field of industrial production, and for mapping out the new paths of economic development of modern, industrial India. It is of the greatest importance for the development of a sound marketing system that this factor of change from the agricultural to the industrial side of the Indian economy should be fully acknowledged and its impact properly understood when India is unfolding her genius in the field of planned economic development.

Marketing is by no means a cliché but a dynamic and complex study in commerce which brings about suitable adjustments between production and consumption. It constitutes the supporting base of production. Stated in another way, marketing is a safety valve which must be allowed to work, so that the boiler of production may not blow up. In fact, production cannot survive without marketing. Therefore, all attention should be bestowed upon marketing for securing the health of production.

We have to develop the marketing complex in a systematic and scientific manner so as to reap the maximum benefits from increased production. This will constitute a watershed

in our thinking on the complex subject of marketing and impart stability and strength to the national economy.

The reward of a wise marketing policy will be future stability of our industrial life, based, as it were, on the accelerated rate of economic growth. Surely, the impact of developmental planning will be much greater once it dawns on us that marketing provides the mortar to the brick of manufacture for the building of production.

In spite of all the changes in the Indian economy, the current situation as regards the growth and development of industrial and consumer marketing has remained far from reassuring. Our outlook towards industrial production should, in a nutshell, be one of avoiding spoonfeeding behind the sheltered markets of the country—a policy which would only recoil on us and weaken our competitive capacity in the long run. We must place our manufactured products in the world market at competitive prices, so that the outlook for the national economy becomes reassuring and India acquires industrial greatness in the course of time. Her status in the realm of international trade and commerce will thus be raised and she will be assured an honoured place with a measure of respectability among the comity of nations.

5

CHAPTER EIGHTEEN

SUMMARY AND CONCLUSIONS

The Marketing Plan

We have now reached the culmination of our labours. We enunciated the theory of marketing in Part I, keeping an eye as close to earth as possible so as to be in touch with both abstract and concrete in the same flight of thought. The theoretical refinements of the subject are bound to prove useful in solving marketing problems and in chalking out a marketing programme. In Part II, we examined the marketing structure of India's more important manufacturing industries as well as the cottage and handicraft industries. In order to be thorough in the marketing survey, the area of enquiry in Part II has been confined to six industries, namely, cotton textiles, jute textiles, iron and steel, engineering, leather and lac. In addition, the marketing survey of cottage and handicraft industries has also been made. It has been shown that though production is important, marketing behind production is even more important. Marketing of manufactured products, it has been noticed, is based on precise knowledge and, as in production, such knowledge can only be obtained by looking into pertinent facts, interpreting them in the light of the marketing theory, and putting them into practice. Again, in Part III, we made certain concrete and definite suggestions for the marketing programme of Indian manufactured goods. A case has been made out for developing India as a great manufacturing power under a planned economy in accordance with the Directive Principles of State Policy. These three parts, combined, constitute the study of a subject which is still waiting to be explored by minds with a scientific bent.

The three parts of the present work may be briefly summarized here.

Part I of the work deals with the theory of industrial and consumer marketing. It contains five chapters, namely, Basic Concepts in Marketing, Comparative Marketing Practices, Distribution and Organization, Market Research, and Methods of Marketing Manufactured Goods. They have

developed the marketing theory, which has so far remained somewhat obscure. This theory of marketing will provide an apparatus, so to speak, for more economical and efficient disposal of goods and services than is possible at present if industry's attitude towards marketing theory is one of adaptation to the actual problems of marketing. It is essential to master theoretical material and apply it to market conditions with obvious advantages. It is Part II which deals with the marketing structure of a select, representative group of Indian manufacturing industries, including cottage and handicraft industries. As already stated, the six manufacturing industries selected for study are cotton textiles, jute textiles, iron and steel, engineering, leather and lac. Cottage and handicraft industries complete this part of the work. Finally, Part III deals with the marketing programme of Indian manufactured goods in the context of our planned economy within the democratic set-up of the country. There are six chapters in this part, namely, Regulation and Control in a Planned Economy, India's Marketing Policy, Retrospect and Prospect, Whither Marketing? The Outlook, and Summary and Conclusions. A case has been established for developing India as a great manufacturing power by bestowing special attention on the problem of marketing. It is marketing that will go a long way in accelerating the process of industrialization. Unfortunately, there is a woeful lack of study of marketing. That makes the development of the marketing programme an extremely difficult task. Even so, the marketing programme of the country has been laid down in the hope that it would arouse interest in the nation which is otherwise on the march. India would then attain her full maturity as an industrial power in the world.

We may now cover the ground of each part rapidly.

PART I

The opening chapter of Part I is Basic Concepts in Marketing. The fundamentals governing the transference of goods and services from the producer to the consumer have been described here. These fundamentals relate to buying, selling, financing, risking, transportation, storage, standardization, and market information. It has been shown that

marketing bridges the gap between production and consumption. Marketing is a total function which even embraces all that is required to be known for the operation of product conception and its gestation. Today it has become a highly complex and scientific operation, which cannot be accomplished efficiently and successfully unless the above fundamentals are well known. A plea has been advanced for adopting the modern technique of marketing, corresponding in all respects to that of large-scale production, so that the wheels of production may not slow down.

Comparative Marketing Practices is the title of the next chapter. The marketing practices evolved by industrial countries, such as England, Germany, Japan, America and India, bear a striking resemblance to one another. The distinguishing features of marketing practices of each of these countries have been enumerated so as to help a comparative study. It has been shown that the study of marketing is the study of a part of applied economics (commerce) which is as dynamic and complex as human nature itself. It does not therefore land itself to an easy solution.

The third chapter, Distribution and Organization, covers the physical arrangements for establishing contact between demand and supply. These two facets (Distribution and Organization of marketing have been shown to be an integral part of the whole marketing process. A suitable technique of distribution surveys has been worked out. It has also been indicated that the organization of marketing is a constructive force, without which modern marketing cannot be carried on successfully. It is seen that marketing organization depends upon economic organization of a society. Although the separation of producer and consumer in space and time has created more difficulties for modern marketing, it has not reduced the close relationship and interdependence of production and marketing. An efficient marketing organization has helped the society in maintaining the closest contact between the two vital sectors of the economy.

In the fourth chapter, Market Research, it has been proved that market research is a science, and it aims at ascertaining the buying habits of consumers so as to enable the manufacturers to form a precise idea not only about the manufactured

though foreign markets, consuming the remaining 10 per cent, cannot be ignored. Efforts should be intensified by all concerned for developing more and more foreign markets of Indian cotton piecegoods, as they will serve as marginal and corrective forces.

In the second chapter, the marketing problems of the jute manufacturing industry have been examined in detail. This industry easily ranks second in the scheme of marketing structure, as the value of its output at current prices is about Rs. 160 crores, and as its share in the country's export trade is 21.4 per cent. It is overwhelmingly an export industry, a fact which is clear from the fact that 80 per cent of its production finds outlet in the world's markets. Notwithstanding the diminution of Calcutta's share in the world's markets, a note of optimism has been struck about the future prospects of this industry by approaching the problem from the marketing angle. It is earnestly hoped that the industry will bring a mature judgment to bear upon the complicated methods of marketing so that it may not be beaten by its competitors.

In the third chapter, the country's iron and steel industry, which may be regarded as the mother of all industries, has been treated from the demand side. It has been observed that the Government have rightly accorded the highest priority to the iron and steel industry, for the levels of production of these materials release forces favourable to the speedier growth of the national economy. Great hopes must necessarily be pinned by the nation on this industry, the manufactured products of which have to occupy a strategic position in the long-term export promotion programme of the country. After all, India possesses abundant resources to make her a major steel producer in the world. Again, she possesses a locational advantage in exploring the possibilities of exports to her neighbouring markets. As such, nothing should be left undone in developing the export potential of this industry's products. Any conservatism in its export programme is bound to delay our march towards the take-off stage.

The fourth chapter examines the marketing problem of Indian engineering industries. A notable factor in the Indian economy has been the growth and development of engineering

are still wedded to the antiquated methods of marketing inherited from their forbears. It has therefore been pointed out that these industries cannot thrive without the use of fine tools of modern marketing. Their manufactured products must be considered to be the feeders of large-scale factory industry in our peculiar socio-economic set-up. That they have won that recognition largely because of the Planning Commission's efforts, is a cause for gratification .

PART III

The opening chapter of Part III is Regulation and Control in a Planned Economy. This chapter establishes the leadership of marketing in the scheme of production. An attempt has been made to show that we cannot become a great manufacturing power merely because we have nature's gifts : these gifts must be fully developed and utilized under a planned economy. India, on the threshold of concentrated industrialization, can congratulate herself for the progressive development of the public sector, which, too, will have to grapple with the marketing problem. There need readily be no conflict between the public and private sectors in the realm of marketing, for the one would draw strength from the other owing to the complementary nature of production of the two sectors in an overwhelmingly large number of cases. A planned marketing system has been worked out for quickening the marketing development of the country.

The second chapter of this part is called India's Marketing Policy. Marketing policy is chiefly concerned with future planning and development which has to be changed—sometimes radically—in the light of new technical advances and market requirements. A well-conceived marketing policy has been formulated, which, if vigorously pursued, would, in all likelihood, make India a great manufacturing power. There is general tendency in our country to produce goods first, and then mark time for their marketing on their own. It is generally believed that marketing can take care of itself. If, however, our Micawber-like approach in the realm of marketing is left unpunished because of fortuitous circumstances, the rate of economic growth cannot be quickened. The pace of the development of the country would always be hampered by

the fact that the problems of marketing lacked a scientific approach and a psychological touch. Concrete suggestions have, therefore, been given in order to remove the lacuna in the changing pattern of the Indian economy.

The third chapter, *Retrospect and Prospect*, has indicated that this is an old problem in a new setting. All the available data suggest that Indian manufactured goods in ancient times found markets in the then known world, though, by modern standards, their money value and physical output would be insignificant. A reverse process, however, arose under the British regime, and India was reduced to a supplier of raw materials and an importer of British manufactured goods, and thus she became a mere appendage to Great Britain. Today, she is coming into her own on the industrial landscape, but then she must not neglect the problem of marketing. Without an efficient marketing system, democratic planning cannot be a success. Anyway, marketing will tend to occupy a more and more prominent position in our planned economy.

Whither Marketing? constitutes the fourth chapter of this part. This chapter goes to show that marketing is the basic support of Indian industrialization. As such, a new philosophy of industrialization has been propounded in the wider setting of economic growth. The attempt is to identify the essential elements of the problem of marketing and to bring out the fact clearly and succinctly that it is marketing that governs production. This is the groundwork on which the whole marketing process has been built in this work. It constitutes the main thesis.

The Outlook forms the fifth chapter. It highlights the need for export promotion and visualizes a substantial effort for increase in exports under each Five-Year Plan. By 1976 which will also be the last year of the Fifth Five-Year Plan, we should have turned the corner and hit the take-off stage in the Indian economy. By the end of the Sixth Five-Year Plan (1976-81), India would have attained the self-generating stage in her economy. Admittedly, the export promotion programme will form an integral part of the country's development plans. This export promotion programme has to be thought out boldly and executed vigorously. We have to address ourselves to the task of making India one of the leading

workshops of the world. No effort has been spared to visualize the shape of things that would take place over a long period of time. One is tempted to quote Shri C. Subramaniam who posed a question on this aspect of the problem and also answered it. 'What does this mean? This means that we should not limit ourselves in our planning to what we feel will be the demand for any product inside the country. We should take a global view of the needs of the developing countries of Africa, Asia and Latin America. While our intention is definitely not to be an imperialistic one of capturing their markets for consumer goods, we should continuously strive to develop markets in these countries for various machinery items. It is not inconceivable that ten or fifteen years hence we should plan to export complete steel plants to these countries, rather than base our balance of payments on hopes of vending tea, coffee and jute, or even steel itself. I know this looks fanciful and takes some doing, but this is essentially a problem of planning ahead and investing wisely and boldly in new techniques, new methods and new plants.'¹ Here we shall need all our skill and ingenuity to make headway in these directions so as to become a leading workshop of the world. This would necessarily involve tremendous development in the field of marketing. Hitherto, our efforts in this respect have not been sufficiently rewarding, though now we are on the way to break new ground and cultivate virgin soil. The day is not far off when India will become a great power in the comity of nations. The export projections have been worked out up to 1981. This chapter covers a vast ground without delimiting its coverage. It is to be devoutly hoped that on the fulfilment of these projections, India will count among the modern industrial nations of the world.

The sixth and final chapter, Summary and Conclusions, outlines the earlier efforts of the three parts by bringing the whole field of vision into correct focus, though only in miniature, by gazing at the problem of marketing through the wrong end of a telescope. It shows that the problem of marketing has all along been neglected throughout the world, and particularly in India. A comprehensive study of Indian marketing

¹ See *Air Miscellany*, Volume iv, published by the Publications Division, Ministry of Information and Broadcasting, Government of India, February 1964, p. 118.

by competent scholars is urgently needed in order that a suitable marketing climate may be created. India's expanding economy must necessarily be based on planned economic development with export orientation. As such, exporters will play a crucial role in the development of the Indian economy in coming years. They have to carry a great burden of marketing development. Obviously, scientific marketing studies are needed. The subject of marketing, both home and foreign, needs to be given a new look. An attempt has been made by the author at filling up some of the more serious gaps by devoting considerable thought to the subject. It is hoped that it will create a general awareness of the problem, and this in itself will be a right step for more intensive and integrated marketing studies in the immediate future.

Marketing as a Neglected Problem

From the foregoing marketing plan, it becomes clear that this study has made a definite contribution, however modest, to the advancement of knowledge in the field of industrial and consumer marketing. The work may well form the starting point for research in a field which is almost unexplored in our country. It is very much to be hoped that it will prove a fascinating book, for it took marketing as its central problem which enables the economy to operate so evenly.

Marketing has an infinitely complex structure. It is a beacon that lights the way for further progress in the field of production. It helps to reduce conditions of glut and scarcity, thereby putting the economy on an even keel. Unfortunately, the problem of marketing has been generally neglected all over the world, including India. Here Appendices D and E will be of great utility. They are expected to create the necessary enthusiasm for the subject in India.

In comparison with most fields of applied economics (commerce), the study of industrial and consumer marketing is extremely arduous. Almost everywhere, the economics of the subject remains to be written, either wholly, or in part. Countries like America have put forth great efforts in this direction. India, on the other hand, is lagging far behind. She has neglected its study. In India, the most striking feature in marketing is that a large number of people is required to carry out marketing operations, in contrast to America, where

the number of people required to conduct the same volume of manufactured goods, either industrial or consumer, is much smaller.

Marketing is an extremely difficult branch of study in applied economics. Goods flow to consumers through numerous channels, consisting of several marketing agencies. Our present system of marketing has become highly complicated, making it extraordinarily difficult for the manufacturer to sell all his goods independently of the marketing agencies. These agencies cannot be totally eliminated from the marketing process, though they can be telescoped into a lesser number. America has already achieved this by entrusting the marketing process to a smaller number of agencies. India has yet to develop a scientific attitude towards marketing, so that increased industrial production may find suitable markets the moment manufactured goods emerge from the country's factories and workshops. Marketing needs to be given a purposive direction so that the productive efforts of the nation yield the best results.

Scientific marketing may well be described as the planned distribution of products from the place of manufacture to the point of consumption, with maximum speed and at minimum cost when various marketing functions are pressed into service. It is, therefore, the necessary complement of manufacture which is concerned with the creation of the right products by means of long-term planning and penetrating market research after taking into consideration numerous factors, including styling and product-utility from the point of view of the potential purchaser. It is only by employing suitable techniques of marketing from the tool box of the marketman (professional marketer) that future product development can be planned on right lines, and correct quantities, qualities, and ranges of goods can be decided in advance. It is of the utmost importance that the development of scientific marketing of Indian manufactured goods should take place so that the country may embark on a new era, and the strains from which industrial production has been suffering for long, are removed for the good of the Indian economy. The more recent trends indicate that marketing will no longer suffer

from casualness in the scheme of production. It will not remain a neglected problem any longer.

Origin and Development of Marketing

Marketing began very early in the history of civilization. It is as old as recorded civilization.² But the process as we know it today is of very recent origin. It is largely a development of the past sixty years or so.³

Man does not live by bread alone. If he did, the marketing picture would have remained fairly simple. He requires several goods and commodities which compete with one another. This makes the problem of marketing quite difficult and complex.

The condition which led to the development of marketing may be easily imagined. Marketing seems to have developed first between two contiguous communities through barter. It came into its own as an economic system with the adoption of money as the medium of exchange. Money became the medium of international transactions, and exchanges multiplied, and so the marketing function became all the more complicated. It assumed an international status. It enabled the nations of the world to supply each other's deficiencies in the best and quickest way possible.⁴ A new class developed, which proved its utility by rendering marketing services to such an extent that, in spite of all the attacks made on this class, it is acquiring more and more importance in the present marketing organization. 'The average trader's services cannot be deprecated in a country of vast distances, large population, and divergent habits of consumption. He performs a truly economic function not only by distributing the goods at comparatively small margin but by acting as a liaison authority between the manufacturer and the consumer whose tastes he interprets to the manufacturer and thereby ensures the production of right type of goods.'⁵ Having regard to the manifold services rendered by the average trader, both to the producer and to the consumer, he has come to occupy an extremely important place in the marketing organization. He performs economic

² Dr. M. S. Heidingsfield and Dr. A. B. Blankenship, *Marketing*, New York, 1957, p. 2.

³ See *Commerce*, 11th July, 1953, p. 45.

functions by helping the consumer with what he wants, when he wants, and in the quantity that he wants. Furthermore, he renders equally useful service to the manufacturer by affecting the quick disposal of the products which leave the manufacturer's factory or workshop. He becomes an important link between the producer and the consumer, and his task is important not only for the last two, but also for the welfare of the economy as a whole.

Marketing is an expensive process. It has been variously estimated that marketing costs account for about half of the selling price of the goods. 'The magnitude of marketing in a modern economy is quickly demonstrated by the fact that approximately 60 per cent of the ultimate consumer costs of the products of American industry are marketing and distribution costs.'⁴ In Indian industry, they approximate to 45 and 50 per cent for industrial and consumer goods respectively. Irrespective of the true percentage, it is evident that it costs about as much to market goods as to produce them. But this is inevitable under the present system of industrial production, for the trader has to undertake many services during the course of marketing, besides meeting many incidental charges connected with it. With every rise in industrial production inside the country, the importance of marketing is bound to increase proportionately as marketing occupies the pivotal place in the whole system of production. If an efficient marketing system is developed in this country, there is no doubt that we shall be able to enlarge the means of production to a considerable extent.

If we wish to develop an efficient marketing system in India, we shall have to undertake several painstaking studies, such as those relating to consumer behaviour, levels of income, market studies, area surveys, and trends in buying habits. The cumulative effect of these studies would be a further percentage increase in marketing costs, but an efficient marketing system, evolved as a result thereof, would provide the consumer with the right type of goods, resulting in substantial economies in the costs of production. The loss on the swings would be more than compensated for by the gains on the roundabouts. It may seem paradoxical, indicating on the surface that marketing

4 Dr. M. L.O. Brown, *Marketing and Distribution Research*, New York, 1949, p. 6.

was growing less efficient because it was absorbing a greater percentage of the consumer's rupee, but deeper thinking reveals that the decline in production costs has been engendered by the innovations in marketing.

The Rationale of a Uniform Code of Marketing Practices

The get-rich-quick complex of manufacturers and traders alike in India has stunted the growth of marketing. Although more than a century has passed since the beginnings of modern industry on Indian soil, it is a sad reflection upon the country that there is neither a scientific system, nor a proper organization, nor an adequate machinery to look after the marketing side of Indian manufactured goods.

To think that the cost of marketing is an unnecessary waste in our economic system, is to tackle the problem of marketing from the wrong end. In actual fact, the whole question of costs of marketing has to be approached from the broader viewpoint of the utilization of our productive resources in the best way possible. The acceptance, and application, of this view on marketing is necessary to bring about increased production. The two sides of the economic equation, namely, demand and supply, are regulated by the instrument of marketing. After all, marketing involves the economic function of adjusting supply to demand, and so it would be quite erroneous to regard the expenses incurred in marketing as a waste.

Marketing plays a great role in propelling production on the road to consumption. All production is for consumption. A consumer should not grudge paying a little more for manufactured goods, if he is served well. Marketing is a dynamic force in our economy. It touches the everyday life of us all, in some direct manner. The extent of our dependence upon marketing cannot be too strongly stressed. The chairs we sit on, the clothes we wear, and the food we eat, have all gone through a series of complex marketing processes.

In the interest of orderly marketing growth, a uniform code of marketing practices should be evolved. Unless such a code is evolved, it will be difficult to ensure both consumer satisfaction and expansion of production for any length of time. It is rather unfortunate that in India so far little attention has been paid to this aspect of marketing. If, however,

we develop a uniform code of marketing practices, this will act as a powerful curb on the foreign manufactured goods entering the home market, and will also promote the marketing interests of Indian manufactured goods in the internal market. Foreign markets, howsoever desirable, cannot be relied upon for all time. Their unpredictability presents difficulties in the realm of marketing. It is always prudent to rely mainly on the home market. All the same, nothing should be left undone in the matter of developing foreign markets, despite the greater difficulties involved in their development, for they always serve as marginal and corrective forces and provide the urge for better and better products.

Methods and Machinery of Marketing

Marketing is only a part, if a very important part of the wider problem of industrialization. While economic thinkers talk and write about much else, very few, curiously, seem to think about industrial and consumer marketing. This is a sorry state of affairs. It is time that marketing received the attention it deserves in the sphere of economics.

It is obvious that marketing forms a part of exchange as well as of production. It exercises a profound influence upon the two remaining divisions of economics. That markets are centres where price-making forces operate and values are determined is well known. As such, marketing constitutes a major portion of the study of exchange. But there is some reluctance on the part of many individuals in placing marketing in the production division of economics. Indeed, both aim to contribute to the creation of utilities in the economic system of a nation. 'An economic system has for its purpose the creation of utilities for the satisfaction of the people. Satisfaction, we have been interpreting thus far chiefly in terms of consumption, and all the paraphernalia of production and marketing have been viewed from the angle of their serviceability to consumer's enjoyment.'⁵ Whereas the manufacturer creates form utilities, traders create place, time, and possession utilities. It will thus be seen that marketing comes under the production division as well. It should now be clear that marketing forms as much a part of

⁵ Harold A. Logan and Mark K. Inman, *A Social Approach to Economics*, Second Edition, Toronto, Canada, 1948, p. 554.

exchange as of production. Notwithstanding its vital role in the field of economics, it is regrettable that economic thinkers have not cared to pay sufficient attention to the problem of industrial and consumer marketing. This apathy on their part has led to an ever-widening gulf between production and consumption under modern conditions of mass production. It is economists alone who can provide leadership for the development of marketing.

With the improvement in production of industrial and consumer goods, the need for efficient marketing will assume greater importance. The economist who is well equipped with the apparatus of his trade, should come forward and suggest the means of removing the lacuna between production and consumption at a time when India is on the road to industrial greatness. A heavy responsibility obviously rests on the shoulders of the Indian economist for providing the necessary leadership in scientific economic thought when dealing with the vast and complex problem of marketing, both industrial and consumer. The Indian economist has already accomplished much in the field of agricultural marketing where the cost of marketing approximates to 35 per cent of the end-sale value of agricultural commodities. Instances have come to notice when the cost of marketing of agricultural commodities goes even beyond 50 per cent but in such cases the credit system is generally responsible for the inflated cost of marketing. It is such instances which have led Prof. K. R. Kulkarni to believe that marketing of agricultural produce is more expensive than that of manufactured goods. (See page 11 of Chapter I, Part I). Anyway, the Indian economist can certainly benefit from the past experience of agricultural marketing, for he can deduce general principles, which can be applied to industrial and consumer marketing. Certain sound principles, which should govern the marketing of industrial and consumer goods can thus be evolved. After all, marketing is, in a manner of speaking, a case-book. It has to be studied thoroughly for the proper handling of new cases as they arise, with the onward march of the country on the road to industrialization ; it would be a simultaneous process

with the shifting of the emphasis from agricultural to industrial economy.

A searching study of marketing practices, and a close analysis of all the marketing processes connected with industrial and consumer goods, are clearly necessary, if marketing improvements are to be brought about. The 'heart' of production lies in marketing. Marketing is the dynamic force of business by which production is facilitated. These are not flights of fancy. They are the hard realities of the marketplace.

The study of marketing will become vastly more important in future in our planned economy. As the production system becomes still more specialized, marketing will not only bear the responsibility of moving the goods to consumers, but the goods will have to be adapted to the consumers' individual requirements. Let us hope that sufficient attention will be paid, commensurate with the problem, and that India will reverberate with industrial greatness in the changing pattern of her economy.

The Coverage of the Present Marketing Study Vis-a-Vis Sample Survey of Manufacturing Industries (SSMI)

The proportion which the manufacturing industries covered by the present marketing study bear to the total industrial sector of the Indian economy can be gauged with the help of the figures published by the Central Statistical Organization, Department of Statistics, Cabinet Secretariat, Government of India, in the Sample Survey of Manufacturing Industries (SSMI).⁶ The six manufacturing industries covered by the present marketing study, namely, cotton textiles, jute textiles, iron and steel, engineering, leather, and lac,

6 When the absence of reliable statistics relating to production, consumption and other aspects of economic life was confronting the nation in the wake of political independence, the late Prime Minister, Shri Jawaharlal Nehru desired on December 18, 1949, that a sample survey should be organized covering the whole country, so that our knowledge of the Indian economy could be perfected. Accordingly, Prof. P. C. Mahalanobis prepared a scheme on the National Sample Survey (NSS) which formed the basis for collecting statistics on production, consumption and other aspects of economic life of the nation. Today, we have the National Sample Survey of Manufacturing Industries (SSMI) which has gone ahead of the Census of Manufacturing Industries (CMI) and which has given us fairly reliable estimates of the contribution of the manufacturing industries to the national income. The same has been made use of for purposes of comparison with that of the coverage of the present marketing study.

TABLE II (Establishments not using power)

Year	Total No. of Establishments in all industries under the SSMI Marketing Study	No. of Establishments covered by the present Marketing Study	%	Estimate of Employment in all industries under the SSMI Marketing Study (in '00)	Estimate of Employment covered by the present Marketing Study (in '00)	%	Value of Manufactures in all industries under the SSMI Marketing Study (in lakhs)	Value of Manufactures covered by the present Marketing Study (in lakhs)	%
1951	5,605	786	14.02	3,086	269 (a)	8.72	2,815	216 (a)	7.67
1952	5,668	158 (b)	2.78	2,929	NA	—	2,871	NA	—
1953	5,821	739 (c)	12.69	3,060	NA	—	3,134	NA	—
1954	6,086	663 (f)	10.89	2,685 (e)	NA	—	3,183	NA	—
1955	6,459	794 (g)	12.29	3,390	NA	—	2,452	NA	—
1956	6,805	716 (h)	10.52	3,477	NA	—	3,493	NA	—
1957	6,223	689 (d)	11.07	4,112	222 (d)	5.40	3,650	NA	—
1958	6,167	820 (a)	13.30	3,450	336 (g)	9.73	4,160	291 (g)	6.99

(a) For cotton textiles, iron and steel, engineering, and lac only

(b) For engineering and lac only

(c) For cotton textiles, engineering, and lac only

(d) For cotton textiles, iron and steel, and engineering only

(e) Excluding workers for 1,859 factories which are not available

(f) For cotton textiles, engineering, leather, and lac only

(g) Excludes jute textiles

TABLE III (Continued)

Year	Total No. of Establishments in all industries under the SSMI	No. of Establishments covered by the present Marketing Study	%	Estimate of Employment in all industries under the SSMI (in '00)	Estimate of Employment covered by the present Marketing Study (in '00)	%	Value of Manufactures in all industries under the SSMI (in lakhs)	Value of Manufactures covered by the present Marketing Study (in lakhs)	%
1951	27,957	4,816	17.23	30,676	13,814	45.12	62,091	30,323	48.83
1952	28,872	4,272	14.80	29,436	NA	—	61,294	NA	—
1953	29,630	4,800	16.20	29,820	NA	—	68,159	NA	—
1954	32,766	5,011	15.29	27,856 (a)	NA	—	65,501	18,770 (b)	28.65
1955	34,117	5,340	15.65	31,121	NA	—	71,550	23,605 (c)	32.99
1956	35,665	5,475	15.35	33,291	NA	—	81,522	NA	—
1957	36,111	5,634	15.60	35,250	14,423	40.92	85,079	NA	—
1958	36,086	5,764	15.97	33,670	13,038	38.72	94,795	34,531	36.43

(a) Excludes workers for 6,384 factories which are not available

(b) For cotton and jute textiles only

(c) For cotton textiles, and iron and steel only

are also included in the Sample Survey of Manufacturing Industries (SSMI). As such, the table on page 398 prepared from the SSMI of the industrial establishments using power, makes an interesting reading :

Another table, on similar lines, is given on page 399 of those industrial establishments which do not use power :

The next table on page 400 combines the findings of the earlier two tables and sums up the statistical information with the same assumptions. It constitutes a revealing study.

It will be seen that the final results in respect of the number of establishments between the SSMI and the present marketing study bear the ratio of 15·76 per cent. Again, in the case of employment and value of manufactures, the percentages are 41·58 and 36·72 respectively. Unfortunately, the statistics of the SSMI suffer from incompleteness, leaving a void in our knowledge which is responsible for much of the parchedness in our present-day Indian economy. Unless the union between economics as the senior partner and statistics as the junior partner takes place, such a sorry state of affairs cannot be removed. It is time that something is immediately done. Another unsatisfactory aspect of these statistics of the SSMI is the unconscionable delay in making available the data to the public. One should naturally be a little cautious in using these figures and take them with a pinch of salt. However, one thing becomes quite clear. The present author's attempt at filling up the more serious gaps in the marketing structure of the country is fairly successful. It is to be earnestly hoped that many researchers would come forward in this field in the immediate future and develop a plethora of literature so that marketing may occupy its rightful place in the Indian economy. That will bring, in the final analysis, greatness to India as an industrial power, and light and lustre to her people who would enjoy the fruits of their labours.

It is only proper that the Indian cottage and handicraft goods should have been included in this work. India being a half-way house between large-scale and small-scale industries, it is of the utmost importance that an inclusion of the cottage and handicraft industries be made in the marketing study. After all, production in these industries represents a fairly large slice of the country's aggregate production,

valued at Rs. 1,210 crores, according to the figures for as published by the Central Statistical Organization, Department of Statistics, Cabinet Secretariat, Government of India.

The Lesson from this Marketing Study

The lesson from this marketing study is clear and pointed. India has passed through a great experience, thanks to political independence. There has been a sizeable increase in industrial production, notwithstanding the swing from the sellers' market to the buyers' market. But further expansion of production on a really ambitious scale will depend essentially on the development of modern techniques in marketing.

Production and marketing are the two wheels of the chariot of planned economic development. If either of them fails, the chariot bogs down. As such, the study of marketing deserves to be encouraged in every way. All this is work of a difficult nature, requiring patience and understanding of the vast network of the marketing process. Fortunately, the internal consumption of Indian manufactured goods has increased. Foreign markets have also been maintained and developed in the teeth of increasing competition from our neighbours, such as China and Japan. But it is also becoming very clear that we must adopt the latest methods of marketing, so that the increased production released by the Indian manufacturing industries under our planned economy may find accessible and easy markets, both at home and abroad. It is time that we devoted more attention to the 'industrialization of sales'.

The concept of the industrialization of sales as contrasted with the industrialization of production should gain widespread acceptance in the country. It is felt that the crucial stage has been reached in our economy when our attitude towards marketing should be reorientated. We should so develop the technique of marketing as to dispose of our industrial production in the home and foreign markets almost immediately after it leaves our factories and workshops. This is indispensable if we really want to sustain our industrial economy on an expanding basis, and compare favourably with the industrially advanced countries of the world.

Independence will have little significance if it cannot lift the masses from their low living standards. It is only when we develop into a great manufacturing power that we shall bring about improved living standards and therefore greater comforts for the nation as a whole. It will be the task of marketing to effect a complete transformation in the Indian economy.

The Future

India's foremost need is the enlargement of the home market for absorbing increased industrial production. There is no possibility of a mathematical, still less arithmetical, demonstration of the fact that the road to increased industrial production lies through marketing. In fact, the rapid rise in industrial production has been made possible in the face of heavy odds, because of an extensive home market. Indian industry has to capture most of the home market in future as well because even after Partition one-seventh of the world's population belongs to this country.

Hitherto, our productive apparatus has been built up empirically, not scientifically. But now this will not do. India will have to equate production and consumption by developing new ideas and instruments of marketing in an expanding economy. The new techniques so evolved will remove the weak spots from the existing system, and will help pulsate the nation with a new marketing strength.

It is understandable that countries like England, Germany and Japan, whose home markets are relatively small, should concentrate more and more on export markets, raising slogans such as 'export or perish'. This does not hold good for India with her inexhaustible home market, if only she acquires the knowledge of increasing the purchasing power of her teeming millions. She must, nevertheless, also make strenuous efforts to develop foreign markets by adopting the slogan 'export and prosper'. It would not be out of place to quote Prof. Ragnar Nurkse in this connexion. In his *Patterns of Trade and Development*, Nurkse discussed three patterns of trade for less developed countries (including India) : namely, growth through exports of primary products ; growth through exports of manufactured consumer goods ; and expansion of output for domestic markets. He went on to add that it was an arbitrary

division, but, after all, most divisions in economics have an element of arbitrariness, being made for convenience of communication and analysis. He stated succinctly : 'More important is the fact that in the real world we seldom find a single pattern in isolation, but usually a mixture of two or more. The three main patterns can easily be combined. Even an individual country may conceivably seek to follow all of them at once. The weight given to each of them will naturally vary in different parts of the world in accordance with a country's domestic resources and external demand conditions.'⁷ In so far as India is concerned, she has to add the fourth pattern, namely, growth through exports of manufactured industrial goods. And then she may accept the mixture with the main emphasis on the third pattern, namely, expansion of output for domestic markets. In that process, she has to rely on increased exports so as to create the necessary wherewithals for increased output.

It is a matter of common knowledge that up to 1939, India largely imported consumer goods. But now the conditions have immeasurably changed. Today, capital goods, raw materials and components constitute 84 per cent of the total imports. She has to make Herculean efforts to boost her exports for giving a big push to her programme of large-scale industrialization. Our showmanship has to be improved a great deal : we have to convince the world that we are no longer a medieval nation of cart-pullers but a modern nation with new strength and stamina, bearing the hall-mark of an industrial society.

At present, our home markets are absorbing 94 per cent of the domestic production. The remaining 6 per cent of the aggregate production goes to world markets. This has to rise considerably in the years to come in that the exports from the 1963-64 figure of Rs. 794 crores have to reach Rs. 1,800 crores by 1980-81 if it is really desired to attain the self-generating stage in the Indian economy. The reader is advised to go carefully through the preceding chapter called 'The Outlook' which has given a new dimension to the much-vexed problem of exports.

⁷ Prof. Ragnar Nurkse, *Patterns of Trade and Development*, Oxford, 1961, p. 48.

A Final Word

Ours is an ancient nation, proud of its heritage. We should so mould the future as to justify the trust reposed in us by our forbears. We have to revive our past glory by present achievements, so that life is made meaningful for the teeming millions who have led a twilight existence. Here we may heed the advice of Shukra so as to acquire wealth and gain prosperity for the nation :

क्षणशः कणशश्चैव विद्यामर्थं च साधयेत् ।
न त्याज्यौ तु क्षणकणौ नित्यं विद्याधनार्थिना ॥
सुभार्थापुत्रमित्रार्थं हितं नित्यं धनार्जनम् ।
दानार्थं च विना त्वैते. किं धनैश्च जनैश्च किम् ॥

Wealth is to be acquired grain by grain, as learning is to be acquired, every moment. Any one who is anxious to acquire wealth or learning should not neglect either a grain or a moment.

The India of the ancient ages and of the middle ages, which became the cynosure of all eyes, has to rise once again in a new setting. She must become a modern industrial nation which is the one sure way of restoring honour and glory to her. *Les affaires sont les affaires* : business is business. One way of doing so is by making a judicious study of the complex phenomenon of modern marketing, and an intelligent application of the knowledge so gained to the task of removing the economic ills of our patient, long-suffering, but worthy people, so that the dream of Mahatma Gandhi to remove 'every tear from every eye' becomes a reality, thereby putting ancient India with तीर्थेषु प्रतिपादनी on her feet again by ushering in a new social order when marketing should be the prime mover of the Indian economy in the present Age of Marketing.

THE END

APPENDIX A

STRUCTURAL CHANGES IN INDIAN MARKETING*

Introductory

India's marketing development has come about quite rapidly during the last forty years as a result of the growth of her manufacturing power. This has resulted in significant structural changes in her marketing system suitable to an expanding economy.

In the early twenties, India was marketing most of her raw materials and semi-manufactures. Foreign countries used to market their manufactured goods in this country, mostly Great Britain because of political relationships. But she has been coming of age, economically speaking, with accelerated speed. Her productive equipment has become capable of turning out ever larger quantities of manufactured goods for their absorption in the home market. This has brought about structural changes in her economy.

With the rising tempo of her industrial development, structural changes in marketing took place. India first captured her home market and soon acquired sufficient marketing strength to market her manufactured goods in foreign markets, particularly the neighbouring ones. Naturally, therefore, imports of foreign manufactured goods heavily declined whereas imports of certain raw materials became quite significant.

It has been seen in the chapter on cotton textile industry that there has been an almost complete displacement of imports of foreign cotton piecegoods in India. Also, India has emerged as a great exporter of cotton piecegoods. Likewise, other manufacturing industries have been studied thoroughly at proper places, and the story there is not different. Of course, the pattern of industrial development did not conform to expectation until India became an independent country. Even so, considerable changes took place in the Indian economy. It will be the task of this appendix to study the

* This Appendix is based upon my earlier version of *Structural Changes in Indian Economy* which appeared as 'Specially Contributed' in *Indian Manufacture and Production* (June 1959). I have retained the original structure of the article and made only minor changes to suit its presentation in the present shape.

problem in greater detail. Here the powerful tools of mathematical statistics have been employed to the economic data which are otherwise surrounded by what Prof. A. C. Pigou calls the 'penumbra of uncertainty'.

It will be worthwhile to study the structural changes in her marketing system in the first half of the twentieth century. The present study is an attempt to show statistically how these changes have come about. As three stages are perceptible in India's marketing development, the series have been broken up into three parts, being nearly homogeneous. The percentages of the three groups, viz. food, raw materials, and manufactures have been compiled year after year for imports and exports separately. Here Wilk's Λ criterion has been used to test whether the percentages in the three groups are significantly different. The derivation of the formula for the three groups is given in the annexure which should be closely studied.

Imports

In case of imports, the dispersion matrices of the variates for the three periods were found as follows:

Period I 1910-1930

Period II 1930-1942

Period III 1942-1954

x_1 = Percentage of food group to total imports

x_2 = Percentage of raw materials group to total imports

x_3 = Percentage of manufactures group to total imports

Only these three variables are independent.

	Period I	Period II	Period III
Number of terms in the series	20	12	12

Means:

$$x_1 \quad 320.2 \div 20 = 16.01 \quad 164.1 \div 12 = 13.68 \quad 1,201.2 \div 12 = 100.10$$

$$x_2 \quad 163.7 \div 20 = 8.19 \quad 224.7 \div 12 = 18.73 \quad 425.4 \div 12 = 35.45$$

$$x_3 \quad 1489.3 \div 20 = 74.47 \quad 189.7 \div 12 = 15.81 \quad 559.7 \div 12 = 46.64$$

Dispersion matrices

	Period I	Period II
x_1	$\left\{ \begin{array}{cc} 126.44 & 5.77 - 136.81 \end{array} \right\}$	$\left\{ \begin{array}{cc} 152.96 & 117.88 - 261.48 \end{array} \right\}$
x_2	$\left\{ \begin{array}{cc} & 37.24 - 38.70 \end{array} \right\}$	$\left\{ \begin{array}{cc} & 346.08 - 435.05 \end{array} \right\}$
x_3	$\left\{ \begin{array}{cc} & & 179.11 \end{array} \right\}$	$\left\{ \begin{array}{cc} & & 661.51 \end{array} \right\}$

Period III

$$\left\{ \begin{array}{ll} 775.95 & 852.60-114.08 \\ & 171.35-952.00 \\ & 818.05 \end{array} \right\}$$

Applying Wilk's Λ criterion, the value of χ^2 has been observed as follows:

$$-2 \log_e \Lambda = 1.55259$$

This is distributed as χ^2 with 12 d.f.

Value of χ^2 for 12 d.f. at 5% level = 21.026

Hence the differences in the three covariance matrices are found to be statistically insignificant.

Applying the 'L test' we find

$$\sqrt{L} = .1425$$

\sqrt{L} is a β -distribution $\beta(39, 3)$

The observed value of \sqrt{L} is found to be highly significant.

This very clearly shows that the structure of our marketing has undergone drastic changes during this time. In the past, India was marketing her raw materials and food-stuffs in the world's markets in return for foreign manufactured goods. But a reverse process soon started and she began to manufacture a large variety of manufactured goods. Politically it was an extremely difficult operation. Thanks to the spirit of nationalism, the operation became successful.*

With the growth of Indian manufacturing industries in the face of almost insuperable difficulties, the raw materials were being consumed within the country itself and the imported goods were slowly but steadily replaced by indigenous manufactures. Today, we have to import some raw materials like raw cotton and jute to feed our manufacturing industries. Even so, imports of manufactured goods are substantial; but on closer analysis, it will be found that the imports of consumer goods form a very small proportion of the total imports. We are now importing machinery and other heavy

* The *Swadeshi* movement of our country passed through various stages in our economic development. During the tumultuous days of *Bhankhang* movement and the historical non-cooperation movement, *Swadeshi* was the very soul of our freedom movement. 'Buy *Swadeshi*' and 'Boycott foreign goods' were our battle cries. Under the dynamic leadership of Mahatma Gandhi, the *Swadeshi* movement became the basic foundation on which Gandhiji constructed the *Swarajya* of his dreams. In fact, the whole country began to breathe fresh air of *Swadeshi* in all walks of life: in education, dress, habits, mode of thinking, etc. The result was that the country harnessed its energy to the great task of economic development, though the weapon of marketing was never employed with meticulous care and consummate skill.

equipment in our diversified economy which are being consumed by our indigenous industries to build up a better India.

Exports

A similar study has been made of the composition of our export trade. Here again, the entire period has been split up into three parts. The variables are the percentages of food, raw materials, and manufactures to the total. The variance and covariance matrices are as given below:

Notations: Period I 1910-1925

Period II 1925-1940

Period III 1940-1954

x_1 = Percentage of food group to total exports

x_2 = Percentage of raw materials group to total exports

x_3 = Percentage of manufactures group to total exports

	Period I	Period II	Period III
Number of terms in the series	15	15	14
x_1	$385.7 \div 15 = 25.71$	$356.8 \div 15 = 23.79$	$328.4 \div 14 = 23.46$
x_2	$685.3 \div 15 = 45.69$	$708.1 \div 15 = 47.21$	$353.0 \div 14 = 25.21$
x_3	$413.6 \div 15 = 27.57$	$417.4 \div 15 = 27.83$	$703.6 \div 14 = 50.26$

Dispersion matrices

Period I	Period II
$\begin{Bmatrix} 346.06 & -181.81 & -157.54 \\ -181.81 & 451.56 & -270.82 \\ -157.54 & -270.82 & 423.31 \end{Bmatrix}$	$\begin{Bmatrix} 110.32 & -82.86 & -27.54 \\ -82.86 & 198.73 & 111.08 \\ -27.54 & 111.08 & 135.53 \end{Bmatrix}$
Period III	
$\begin{Bmatrix} 83.93 & -82.63 & 0.38 \\ -82.63 & 259.48 & -190.18 \\ 0.38 & -190.18 & 205.59 \end{Bmatrix}$	

Applying Wilk's Λ criterion, we get

$$-2 \log_e \Lambda = 34.5428$$

which is distributed as χ^2 with 12 d.f.

This is found to be highly significant showing that the variations between the groups are highly significant. As the fundamental assumption behind the use of 'L test' is vitiated, it will not be possible to test the equality or otherwise of the means of the three groups.

ANNEXURE

Problem I: In a multivariate normal population, to test the covariance matrices from p samples are equal.

Problem II: In a multivariate normal population, to test the means of each of the k variables in p samples are same, under the assumption that the covariance matrices are equal.

Solution to Problem I

Let n_i be the i th sample size and $n_1 + n_2 + \dots + n_p = n$ (say)

Let x_1, x_2, \dots, x_k be the k variables, having covariance matrix A_i^{-1} in the i th sample.

Hence, joint density function of the p samples is given by

$$\begin{aligned}
 p = & \frac{|A_1|^{-\frac{n_1}{2}}}{(\sqrt{2\pi})^{n_1 k}} e^{-\frac{1}{2} \sum_{\alpha=1}^{n_1} (x_\alpha - \mu^1) A_1 (x_\alpha - \mu^1)'} \\
 & \times \frac{|A_2|^{-\frac{n_2}{2}}}{(\sqrt{2\pi})^{n_2 k}} e^{-\frac{1}{2} \sum_{\alpha=1}^{n_2} (x_\alpha - \mu^2) A_2 (x_\alpha - \mu^2)'} \times \dots \\
 & \dots \times \frac{|A_p|^{-\frac{n_p}{2}}}{(\sqrt{2\pi})^{n_p k}} e^{-\frac{1}{2} \sum_{\alpha=1}^{n_p} (x_\alpha - \mu^p) A_p (x_\alpha - \mu^p)'}
 \end{aligned}$$

where μ^i is the vector of population means from the i th sample. Maximizing the above unconditionally, we get from the equations

$$\frac{\delta \log p}{\delta \mu} = 0 \text{ and } \frac{\delta \log p}{\delta A} = 0,$$

$$\text{that } \hat{\mu}^i = \bar{x}^i \text{ and } \left(\frac{\hat{A}_{ii}}{|A_B|} \right) = \hat{\sigma}_{iB}^2 = s_{iB}^2$$

where \bar{x}^i is the vector of sample means from the i th sample and σ_{iB}^2 is the population variance of x_i from the β th sample ($\beta=1$ to p).

$$\text{Hence, } p \Omega \max_i = \frac{e^{-\frac{1}{2} \pi k}}{\sqrt{2\pi}^{pk}} \cdot \frac{1}{\prod_{i=1}^p |\Gamma_i|^{-\frac{n_i}{2}}}$$

where Γ_i is the covariance matrix from the i th sample ($i=1$ to p), on substituting the maximum likelihood estimates.

Our hypothesis is that $\lambda_1 = \lambda_2 = \dots = \lambda_p$ and under the assumption, the joint density function is, if $\lambda_1 = \lambda_2 = \dots = \lambda_p = \lambda$ (33)

$$p = \frac{1}{\sqrt{2\pi}^{pk}} e^{-\frac{1}{2} \sum_{i=1}^p \sum_{k=1}^{n_i} (x_k - \mu^i)^2} \lambda^{\frac{1}{2} \sum_{i=1}^p n_i}$$

So that maximizing with respect to μ 's and λ , by solving the equations

$$\frac{\partial \log p}{\partial \mu} = 0 \text{ and } \frac{\partial \log p}{\partial \lambda} = 0,$$

$$\text{We get } \hat{\mu}^i = \bar{x}^i \text{ and } \left(\frac{\hat{\lambda}_1}{\lambda} \right) = \sigma_1^2 = \frac{1}{n} \sum_{\beta=1}^p n_\beta s_{1\beta}^2$$

$$\text{Hence we get } p \Omega \max = \frac{e^{-\frac{1}{2} \pi k}}{\sqrt{2\pi}^{pk}} \cdot \frac{1}{|\Gamma|^{-\frac{n}{2}}}$$

$$\text{where } \Gamma \text{ is the matrix } \Gamma = \left\{ \frac{1}{n} \sum_{\beta=1}^p n_\beta s_{1\beta}^2 \right\}$$

$$\text{Hence, } \lambda = \frac{p \Omega \max}{p \Omega \max} = \frac{\prod_{i=1}^p |\Gamma_i|^{-\frac{n_i}{2}}}{|\Gamma|^{-\frac{n}{2}}}$$

$$\text{Let } c_{11} = n_\beta s_{1\beta}^2$$

$$\text{Hence, } \lambda = \frac{\prod_{\beta=1}^p \left| \frac{c_{11}}{n_\beta} \right|}{\left| \frac{\sum_{\beta=1}^p c_{11}}{n} \right|^{-\frac{n}{2}}}$$

$$\therefore \lambda^2 = \frac{n^{nk} \mid c_1 \mid^{n_1} \mid c_2 \mid^{n_2} \dots \mid c_p \mid^{n_p}}{n_1^{n_1 k} n_2^{n_2 k} \dots n_p^{n_p k} \mid c_1 + c_2 + \dots + c_p \mid^n} \text{ where } c_\beta = c_{\beta ij}$$

i.e. c_β is the matrix of corrected sum of squares and products of the k variables from the β th sample. ($\beta=1$ to p)

Now, according to Wilk's, $-2 \log_e \lambda$ is a χ^2 corresponding to the number of d.f. lost under our hypothesis. Here, originally A_i for the i th sample had $\frac{k(k+1)}{2}$ independent variables and therefore, in total, $\frac{pk(k+1)}{2}$. But under assumption that $A_i = A$ for all i , there are only $\frac{k(k+1)}{2}$ independent variables. Hence, the number of d.f. lost is $\frac{(p-1)k(k+1)}{2}$.

Therefore, $-2 \log_e \lambda$ is χ^2 with $\frac{(p-1)k(k+1)}{2}$ d.f., where $-\log_e \lambda = \log_e^{10} \left\{ \sum_i kn_i \log_{10} n_i + n \log_{10} \mid c_1 + \dots + c_p \mid - kn \log_{10} n - \sum_i n_i \log_{10} \mid c_i \mid \right\}$. Hence, we have the test.

Solution to Problem II

$$\text{Let } a_{ij}^t = \sum_{r=1}^{n_t} \left(x_{ir}^t - \bar{x}_i^t \right) \left(x_{jr}^t - \bar{x}_j^t \right); \quad \bar{a}_{ij} = \sum_{t=1}^p a_{ij}^t$$

$$a_{ij} = \sum_{t=1}^p \sum_{r=1}^{n_t} \left(x_{ir}^t - \bar{x}_i \right) \left(x_{jr}^t - \bar{x}_j \right)$$

As in the earlier problem, we have joint density function ($\because A_1 = A_2 = \dots = A_p = A$) as

$$p = \frac{\mid A \mid^{\frac{n}{2}}}{(\sqrt{2\pi})^{nk}} e^{-\frac{1}{2} \sum_{i=1}^p \sum_{\alpha=1}^{n_i} (x_\alpha - \mu^i)' A (x_\alpha - \mu^i)'}$$

Therefore, we get

$$p(\Omega \text{ max}) = \frac{e^{-\frac{1}{2}nk}}{(\sqrt{2\pi})^{nk}} \cdot \frac{1}{|\Gamma|^{\frac{n}{2}}} = \frac{e^{-\frac{1}{2}nk}}{(\sqrt{2\pi})^{nk}} \cdot \frac{n^{\frac{nk}{2}}}{|c_1 + \dots + c_p|^{\frac{n}{2}}}$$

$$= \frac{e^{-\frac{1}{2}nk}}{(\sqrt{2\pi})^{nk}} \cdot \frac{n^{\frac{nk}{2}}}{|\bar{a}_{ij}|^{\frac{n}{2}}} \text{ in the above notation}$$

Now, under the hypothesis, $\mu^i = \mu$ for all i and so, obtaining the maximum likelihood estimates of A and μ , as earlier, and substituting,

$$\text{We get } p(\omega \text{ max}) = \frac{e^{-\frac{1}{2}nk}}{(\sqrt{2\pi})^{nk}} \cdot \frac{n^{\frac{nk}{2}}}{|a_{ij}|^{\frac{n}{2}}}$$

$$\text{Hence, } \lambda = \frac{p(\omega \text{ max})}{p(\Omega \text{ max})} = \frac{|\bar{a}_{ij}|^{\frac{n}{2}}}{|a_{ij}|^{\frac{n}{2}}}$$

$$\text{So that } L = \lambda^{\frac{2}{n}} = \frac{|\bar{a}_{ij}|}{|a_{ij}|}$$

But, since $\{\bar{a}_{ij}\}$ is a Wishart's distribution in k variables, with $(n-p)$ d.f., and $\{a_{ij}\}$ is Wishart's distribution with $(n-1)$ d.f.,

we find $E[|a_{ij}|^h]$

Therefore, $E[|a_{ij}|^h |\bar{a}_{ij}|^g]$ and putting $g = -h$,

$$\text{We get } E\left[\frac{|\bar{a}_{ij}|}{|a_{ij}|}\right]^g = \prod_{i=1}^k \left[\frac{\Gamma\left(\frac{n-i}{2}\right) - \left(\frac{n-p+1-i}{2} + g\right)}{\Gamma\left(\frac{n-i}{2} + g\right) \left(\frac{n+p+1-i}{2}\right)} \right]$$

In our case, where $p=3$, from the above formula and using the relation

$$\Gamma(2x) \Gamma\left(\frac{1}{2}\right) = 2^{2x-1} \Gamma(x) \Gamma\left(x + \frac{1}{2}\right),$$

$$\text{we get } E\left[\binom{g}{L}\right] = \frac{\Gamma(n-2) \Gamma(n-k-2+2g)}{\Gamma(n-2+2g) \Gamma(n-k-2)}$$

which is the $(2g)$ th moment of a $\beta(n-k-2, k)$ th variate.

Hence, we have \sqrt{L} is a $B(n-k-2, k)$

$$\text{where } L = \frac{|\bar{a}_{ij}|}{|a_{ij}|}$$

So, we have the test.

Note: $[|\bar{a}_{ij}| = |c_1 + \dots + c_p|$ i.e. \bar{a}_{ij} is the (i, j) th element of the matrix $\{c_1 + \dots + c_p\}$ and

$$\begin{aligned} a_{ij} &= \bar{a}_{ij} + \sum_{t=1}^p n_t (\bar{x}_i^{t_1} - \bar{x}_i) (\bar{x}_j^{t_1} - \bar{x}_j) \\ &= \bar{a}_{ij} + \sum_{t=1}^p n_t \bar{x}_i^{t_1} \bar{x}_j^{t_1} - n \bar{x}_i \bar{x}_j \end{aligned}$$

APPENDIX B

A STATISTICAL STUDY OF IMPORTS AND EXPORTS OF MANUFACTURED GOODS*

Introductory

A statistical study has been made as to how imports and exports of some selected manufactured goods have behaved over the past half-a-century. For our analysis, imports of cotton textiles and iron and steel have been taken. Again, exports of gunny cloth, cotton textiles and tanned hides and skins (leather) have been critically analysed.

The main purpose of this statistical study is to show how imports of the selected manufactured goods have declined while exports of the selected items have increased. Here, orthogonal polynomials of the second degree have been fitted to the series to show the main trend.

As our present work is concerned with the marketing of Indian manufactured goods, the internal marketing strength of the goods can be studied by taking into account internal production, imports and exports. Ignoring changes in stocks, the internal marketing strength is determined by production *plus* imports *minus* exports. As production statistics in India are incomplete, giving a void in our knowledge which is responsible for much of the aridity in our present-day Indian economics, it will not be strictly correct to proceed on the above study. To illustrate, in order to determine the precise marketing strength of our premier industry, *viz.* cotton textile industry, we shall have to add to the factory production, the production of handlooms. It is well known that reliable statistics of the latter are however not available. Any study ignoring the production of handlooms is likely to be of little use. Fortunately, foreign trade figures of most of the manufactures are readily available in the annual sea-borne trade of India which are also accu-

* This Appendix, too, is based upon my earlier version of *An Econometric Study of Imports and Exports of Selected Manufactured Goods* which appeared as 'Specially Contributed' in *Indian Manufacture and Production* (July 1959). Here again, I have made minor alterations to make the article suitable for presentation in the form of an appendix.

rate. Therefore, this study has been confined to imports and exports of the manufactured goods.

As is well known, India's industrial development has come about somewhat rapidly during the last fifty years. But it will be improper to take the entire period of fifty years. Each of the series has therefore been broken up into two or three segments according to the nature of the series and orthogonal polynomials (Fisher's) of the second degree have been fitted to the segments to show the trend.

Let us now discuss each of the series in greater detail.

1. *Imports of Cotton Textile Products*

We shall take up imports of cotton textiles in the first instance. The country's cotton textile industry had rapidly developed during the first thirty years of the twentieth century. As a result of this, internal production had displaced imports. It is decided to break up the series into three components, *viz.* the first period covering 1900-1918, the second period covering 1918-1936 and the third period covering 1936-1954. Orthogonal polynomials of the second degree fitted to the three periods are as given below:

$$\text{Period 1: } y = 25057.2549 + 60.3468x - 81.1653x^2$$

(x is measured from the mid-year 1909)

$$\text{Period 2: } y = 16673.6783 - 232.9196x - 114.5494x^2$$

(x is measured from the mid-year 1927)

$$\text{Period 3: } y = 444.6833 - 417.9990x + 54.1274x^2$$

(x is measured from the mid-year 1945)

where y represents imports of cotton textiles in lakh yards and x is the time variate.

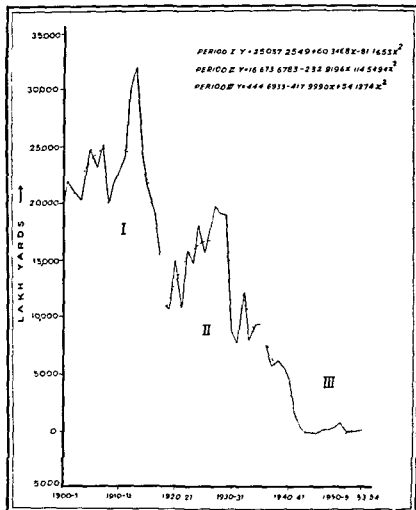
The 'observed' and 'fitted' series have been plotted in chart 1 given on the following page.

A close study of the chart will clearly reveal the accelerated pace with which the displacement of imports has taken place. In the periods, the curve has gone up first and then started declining and this process has been continual. During the last decade, imports have been practically stopped except for some specialities. India, instead, has emerged as one of the principal exporters of cotton piecegoods in the world's markets which is of first-rate importance.

2. *Imports of Iron and Steel Products*

As in the case of cotton textiles, the series in the case of iron and

CHART I
IMPORTS OF COTTON PIECE GOODS



steel products too, has been broken up into three components, *viz.* 1900-1918; 1918-1936; and 1936-1954. Orthogonal polynomials for the second degree, fitted to the three periods, are as given here:

$$\text{Period 1: } y = 273.2494 - 7.6140x - 3.1878x^2$$

(x is measured from the mid-year 1909)

$$\text{Period 2: } y = 218.4644 - 2.8410x - 2.2536x^2$$

(x is measured from the mid-year 1927)

$$\text{Period 3: } y = 31.0834 - 0.6140x + 0.4985x^2$$

(x is measured from the mid-year 1945)

where y represents imports of iron and steel products in '000 tons and x is the time variable. Here, too, the 'observed' and 'fitted' series have been plotted in chart II given on the following page.

A careful study of the chart will reveal that imports were on a high level up to 1930 excepting for the war years when the decline started because of war-conditions. Under the scheme of discriminating protection, the Indian iron and steel industry made rapid strides and the imports of protected varieties of products were significantly reduced. Later on, protection was found unnecessary as the Indian prices were sufficiently competitive. Till recently the Indian steel was comparatively cheaper than the imported steel.* Naturally, therefore, we had to subsidise the imported steel with the help of the Indian steel which was still in short supply. With the further increase in Indian production after the completion of the present expansion plans, the imports are expected to fall quite significantly. A time is bound to arrive when we shall make up the entire backlog and become a great manufacturing power. Eventually, we shall become a major exporter of Indian steel and steel products in international markets. In fact, India's export drive on a massive scale will largely depend upon this strategic item in the next decade and more. As such, great hopes have to be pinned on this key export item if it is intended to transform the Indian economy into a high-gear economy. This industry will naturally provide the most reliable yardstick of the country's industrial health in the coming years.

* It has been seen in the chapter on *Marketing of Indian Steel and Steel Products* that Indian steel is now no longer cheaper than the imported steel. Readers are advised to go through pp. 161-62 of Part II of the book where an analysis of foreign and Indian prices of steel has been made.

3. *Exports of Indian Cotton Piecegoods*

Here, too, the series has been broken up into three parts. The orthogonal polynomials of the second degree have been fitted to the three series which are given below:

$$\text{Period 1: } y = 756.4058 + 56.5584x + 8.6454x^2$$

(x is measured from the mid-year 1909)

$$\text{Period 2: } y = 1562.7447 - 70.9628x - 8.0249x^2$$

(x is measured from the mid-year 1927)

$$\text{Period 3: } y = 5051.9877 + 287.8854x - 8.3030x^2$$

(x is measured from the mid-year 1945)

where y represents exports of cotton piecegoods in lakh yards and x is the time variable. The 'expected' and 'observed' values of y have been plotted in chart III on the following page.

A glance at the chart will reveal the difficulty experienced by the Indian cotton textile industry in the initial stages. Exports of cloth were very low in the first period, though an upward trend, howsoever faint, was visible. During this period, exports of yarn were high as there were surplus spindles in relation to total looms. It has already been indicated that the imports of cotton cloth were high. During the second period, exports were on the decline owing to the Great Depression that had enveloped the whole world. Imports, all the same, were on a smaller scale and the increased production of Indian mills met a larger portion of the home market. The third period marks the emergence of India as a major exporter of cotton piecegoods. During this period, exports of cloth were on a very high level. It appears that the annual target of 1,000 million yards originally fixed by the Planning Commission under the First Five-Year Plan (1951-56) can only be achieved in the very near future, provided the industry, trade and the Government tackle the problem of marketing determinedly and as an integrated whole. Chapter XVII entitled *The Outlook* has visualized that the target of 1,000 million yards can only be hit under the Fifth Five-Year Plan (1971-76) in case the steering wheel in the shape of marketing is firmly gripped, so to say.

4. *Exports of Leather (Tanned Hides and Skins)*

The orthogonal polynomials of the second degree have been fitted to this series which has likewise been broken up into three periods which are given here:

- Period 1: $y = 149.6305 + 2.6616x + 0.6887x^2$
 (x is measured from the mid-year 1909)
- Period 2: $y = 177.9158 - 0.5326x + 0.3458x^2$
 (x is measured from the mid-year 1927)
- Period 3: $y = 160.2306 + 0.0650x + 1.6323x^2$
 (x is measured from the mid-year 1945)

where y represents exports of leather in '00 tons and x is the time variable.

The 'actual' and 'calculated' values of the variable y have been plotted in chart IV given on the following page.

Each of the curve, it will be seen, shows at first a downward trend but the end-point being always higher than the beginning-point, the general trend of exports has been upward. This is likely to gather momentum with the further acquisition of manufacturing power in the immediate future.

5. *Exports of Jute Manufactures*

In this case only owing to the peculiar nature of the series, it has been found necessary to split the series into two segments; the first covering a period of 30 years and the second a period of 24 years. Here, too, the orthogonal polynomials of the second degree have been fitted to the two series corresponding to the two periods under reference and the equations are as follows:

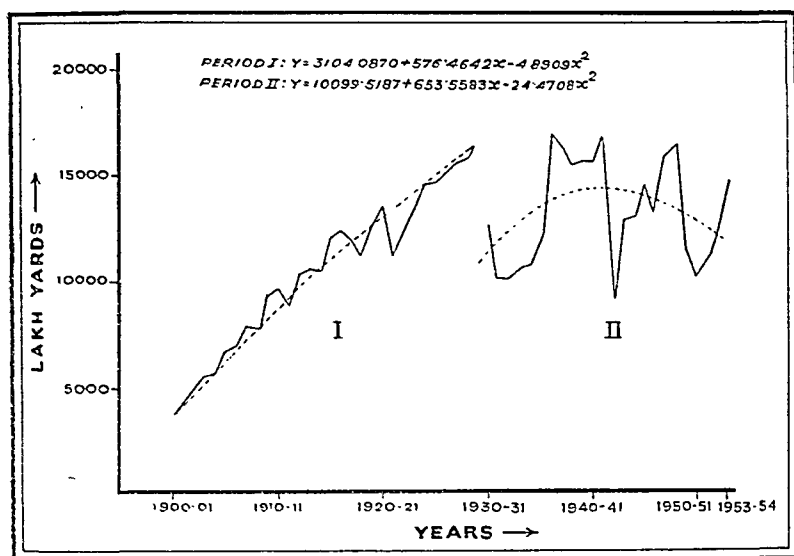
- Period 1: $y = 3104.0870 + 576.4642x - 4.8909x^2$
 (x is measured from the mid-year 1915)
- Period 2: $y = 10099.5187 + 653.5583x - 24.4708x^2$
 (x is measured from the mid-year 1942)

where y represents exports of jute manufactures in lakh yards and x is the time variable.

The 'observed' and 'fitted' curves have been plotted in chart V given on p. 427.

The figures are very revealing. The Indian jute manufacturing industry grew very rapidly without any tariff protection. Exports showed a progressively upward trend as a result of the extraordinarily rapid growth of the industry during the first three decades of the present century. This is the reason for the marked upward trend of the 'exports' curve till 1930. In line with other Indian manufactured goods, the exports of jute products also suffered on

CHART V
EXPORTS OF GUNNY CLOTH



account of the Great Depression. Since then, the fortunes of the industry have undergone great vicissitudes because India no longer holds the near-monopolistic conditions, having lost ground heavily in recent years, which has been fully discussed in the chapter dealing with jute textiles.

Conclusion

In general, however, it can be safely said that India has already acquired sufficient manufacturing and marketing power whose pace can be quickened if the right steps are taken in time in our developing economy. Almost certainly, the pace has been quickened in the very recent past, thanks to our planned economy. During the last decade, we have started on a long and arduous journey to accelerate the magnitude and the tempo of imports and exports, thereby providing the sinews for the country's thriving economy through restoring equilibrium in the balance of payments position. Unfortunately, it has not been possible to carry the story forward up to 1964, but clearly these are the problems on which more detailed research needs to be done.

ANNEXURE
1. OBSERVED AND EXPECTED VALUES OF IMPORTS OF COTTON TEXTILES INTO INDIA
(in lakh yards)

Year	Period 1			Period 2			Period 3		
	Actual	Fitted	Year	Actual	Fitted	Year	Actual	Fitted	Year
1900-01	20,028	18,680	1918-19	11,220	10,377	1936-37	7,640	7,908	
1901-02	21,897	20,039	1919-20	10,807	11,977	1937-38	5,908	6,624	
1902-03	21,073	21,236	1920-21	15,097	13,348	1938-39	6,473	5,449	
1903-04	20,327	22,270	1921-22	10,898	14,490	1939-40	5,790	4,381	
1904-05	22,884	23,142	1922-23	15,933	15,402	1940-41	4,470	3,422	
1905-06	24,632	23,852	1923-24	14,858	16,086	1941-42	1,816	2,571	
1906-07	23,182	24,399	1924-25	18,232	16,540	1942-43	130	1,828	
1907-08	25,317	24,784	1925-26	15,637	16,765	1943-44	37	1,193	
1908-09	19,925	25,007	1926-27	17,879	16,762	1944-45	52	667	
1909-10	21,927	25,067	1927-28	19,734	16,528	1945-46	32	249	
1910-11	23,081	24,965	1928-29	19,368	16,066	1946-47	162	-61	
1911-12	24,379	24,701	1929-30	19,193	15,375	1947-48	277	-262	
1912-13	30,275	24,274	1930-31	8,900	14,455	1948-49	475	-355	
1913-14	31,971	23,685	1931-32	7,756	13,306	1949-50	733	-340	
1914-15	24,457	22,934	1932-33	12,253	11,928	1950-51	57	-217	
1915-16	21,481	22,020	1933-34	7,958	10,320	1951-52	79	15	
1916-17	19,335	20,944	1934-35	9,437	8,484	1952-53	46	354	
1917-18	15,555	19,706	1935-36	9,467	6,418	1953-54	52	802	

IMPORTS OF IRON AND STEEL PRODUCTS

(in '000 tons)

Year	Period 1			Period 2			Period 3		
	Actual	Fitted	Year	Actual	Fitted	Year	Actual	Fitted	Year
1900-01	93	103	1918-19	38	80	1936-37	78	72	
1901-02	153	151	1919-20	92	113	1937-38	91	64	
1902-03	171	180	1920-21	185	142	1938-39	45	56	
1903-04	226	219	1921-22	161	166	1939-40	73	50	
1904-05	212	213	1922-23	221	106	1940-41	21	44	
1905-06	285	261	1923-24	203	201	1941-42	10	39	
1906-07	263	272	1924-25	228	211	1942-43	1	36	
1907-08	311	278	1925-26	177	218	1943-44	21	33	
1908-09	319	276	1926-27	206	219	1944-45	38	32	
1909-10	320	269	1927-28	279	216	1945-46	73	31	
1910-11	151	254	1928-29	249	209	1946-47	16	31	
1911-12	157	234	1929-30	235	197	1947-48	32	33	
1912-13	153	207	1930-31	118	181	1948-49	12	35	
1913-14	253	171	1931-32	94	160	1949-50	42	38	
1914-15	125	135	1932-33	84	135	1950-51	146	13	
1915-16	74	89	1933-34	80	105	1951-52	36	48	
1916-17	31	37	1934-35	89	70	1952-53	45	54	
1917-18	12	--22	1935-36	92	32	1953-54	21	62	

EXPORTS OF INDIAN COTTON PIECEGOODS

(in lakh yards)

Period 1			Period 2			Period 3		
Year	Actual	Fitted	Year	Actual	Fitted	Year	Actual	Fitted
1900-01	693	900	1918-19	1,491	1,586	1936-37	1,016	2,005
1901-02	726	818	1919-20	1,966	1,644	1937-38	2,413	2,426
1902-03	695	754	1920-21	1,464	1,685	1938-39	1,770	2,830
1903-04	758	707	1921-22	1,610	1,710	1939-40	2,214	3,217
1904-05	875	677	1922-23	1,570	1,720	1940-41	3,901	3,588
1905-06	920	664	1923-24	1,653	1,713	1941-42	7,711	3,943
1906-07	767	669	1924-25	1,815	1,690	1942-43	8,192	4,280
1907-08	741	691	1925-26	1,648	1,651	1943-44	4,263	4,601
1908-09	780	730	1926-27	1,974	1,596	1944-45	4,230	4,906
1909-10	941	787	1927-28	1,686	1,525	1945-46	4,571	4,194
1910-11	998	861	1928-29	1,492	1,438	1946-47	3,183	5,465
1911-12	814	952	1929-30	1,334	1,335	1947-48	1,924	5,720
1912-13	865	1,060	1930-31	977	1,216	1948-49	3,409	5,958
1913-14	892	1,186	1931-32	1,046	1,081	1949-50	7,009	6,179
1914-15	672	1,329	1932-33	664	930	1950-51	12,697	6,384
1915-16	1,135	1,489	1933-34	565	763	1951-52	4,237	6,572
1916-17	2,638	1,667	1934-35	577	579	1952-53	6,158	6,744
1917-18	1,894	1,862	1935-36	713	380	1953-54	7,655	6,899

EXPORTS OF TANNED HIDES AND SKINS

(in '00 tons)

Year	Period 1			Period 2			Period 3		
	Actual	Filled	Year	Actual	Filled	Year	Actual	Filled	Year
1900-01	235	177	1918-19	284	207	1936-37	254	278	
1901-02	133	168	1919-20	269	201	1937-38	237	252	
1902-03	129	161	1920-21	67	196	1938-39	202	229	
1903-04	132	156	1921-22	103	191	1939-40	319	203	
1904-05	131	152	1922-23	146	187	1940-41	218	193	
1905-06	170	149	1923-24	181	184	1941-42	206	180	
1906-07	185	147	1924-25	194	181	1942-43	153	170	
1907-08	142	147	1925-26	185	179	1943-44	107	164	
1908-09	157	148	1926-27	184	178	1944-45	81	161	
1909-10	155	151	1927-28	233	178	1945-46	106	161	
1910-11	147	155	1928-29	235	178	1946-47	245	164	
1911-12	165	161	1929-30	210	179	1947-48	190	171	
1912-13	182	167	1930-31	177	180	1948-49	146	180	
1913-14	152	176	1931-32	158	183	1949-50	238	194	
1914-15	167	185	1932-33	145	185	1950-51	245	210	
1915-16	200	196	1933-34	197	189	1951-52	229	230	
1916-17	245	208	1934-35	179	193	1952-53	234	253	
1917-18	200	222	1935-36	203	190	1953-54	265	279	

OBSERVED AND EXPECTED VALUES OF EXPORT OF JUTE
MANUFACTURES

(in million yards)

<i>Period 1</i>			<i>Period 2</i>		
<i>Year</i>	<i>Actual</i>	<i>Fitted</i>	<i>Year</i>	<i>Actual</i>	<i>Fitted</i>
1900-01	3,652	3,680	1930-31	12,710	10,729
1901-02	4,186	4,238	1931-32	10,211	11,309
1902-03	4,929	4,789	1932-33	10,117	11,840
1903-04	5,523	5,332	1933-34	10,526	12,322
1904-05	5,755	5,864	1934-35	10,635	12,755
1905-06	6,587	6,387	1935-36	12,183	13,140
1906-07	6,961	6,899	1936-37	17,079	13,475
1907-08	7,899	7,403	1937-38	16,431	13,762
1908-09	7,698	7,896	1938-39	15,497	14,000
1909-10	9,401	8,380	1939-40	15,611	14,188
1910-11	9,553	8,853	1940-41	15,457	14,328
1911-12	8,715	9,317	1941-42	16,957	14,418
1912-13	10,218	9,772	1942-43	9,082	14,460
1913-14	10,612	10,216	1943-44	12,869	14,453
1914-15	10,573	10,651	1944-45	13,036	14,397
1915-16	10,923	11,076	1945-46	14,557	14,291
1916-17	12,310	11,491	1946-47	13,197	14,138
1917-18	11,968	11,895	1947-48	16,054	13,934
1918-19	11,032	12,261	1948-49	16,563	13,683
1919-20	12,751	12,677	1949-50	11,661	13,382
1920-21	13,528	13,053	1950-51	10,237	13,032
1921-22	11,206	13,419	1951-52	10,830	12,634
1922-23	12,544	13,776	1952-53	12,371	12,186
1923-24	13,487	14,122	1953-54	14,678	11,690
1924-25	14,563	14,459			
1925-26	14,614	14,786			
1926-27	15,031	15,104			
1927-28	15,528	15,411			
1928-29	15,683	15,709			
1929-30	16,505	15,996			

APPENDIX C

MARKETING STRATEGY IN INDIA'S DEVELOPING ECONOMY

The Need for Marketing Strategy

Marketing being a powerful accelerator of industrial production must be kept active for imparting a sense of dynamism to the productive apparatus functioning at the basic level of the nation. Prof. W. W. Rostow was, in his analysis of economic growth, correct to the point when he asserted that industrialization depends for its momentum on a progressive widening of markets.¹ This cannot be attained by tightening a screw here or a bolt there, but by evolving a suitable strategy for the marketing development so that industrial production may be keyed to the requirements of marketing. The all-important problem before our country is that of evolving a well-conceived strategy of marketing in the context of India's developing economy so as to make India industrially resurgent and to improve her living standards. Such a marketing strategy must have one over-riding objective: to secure a progressive rise in the level of production by such methods as are calculated to make possible an indefinite continuance of this developmental process. In such a situation industrial production would become closely integrated with the marketing system.

Strategy which is always long-range helps in manipulating the problem in an extremely effective manner. Once, however, the ground is prepared for a suitable marketing strategy, an ever-expanding horizon on the economic scene will be opened up. In fact, a substantial increase in industrial production becomes really possible when the national economy is so geared that the search for, and adoption of, new marketing techniques becomes, as it were, a built-in process in the long-range solution of a suitable marketing strategy. It thus becomes evidently clear that a well-conceived marketing strategy cannot be evolved overnight. It is the painstaking efforts made according to a consistent plan over the years that go to the

¹ See *The Hindu*, September 4, 1963.

making of a sound marketing strategy which is based on scientific merchandizing principles.

Scientific Merchandizing Principles

Since marketing provides the wherewithals for the economic expansion, there is obvious need for projecting the image of scientific merchandizing principles in the productive apparatus of the country if the best results are to be obtained. The perfection in the marketing system largely depends on the attainment of the best possible relationships between the functions and the value of service which is rendered by the various marketing channels employed in the disposal of goods. In this age of competition, the consumer stands in no danger of being mulcted in price for the goods he buys in the market. Prices are more or less standardized which tend to be uniform for the same range and variety of manufactured goods. It is therefore of vital importance that marketing should be streamlined by an individual manufacturer so that he may not be forced to trail behind his rivals in the competitive market. He should offer the best services to the merchanting channels so that they may be induced to create a good impression for his goods in the market. In this way, the marketing system can be improved a good deal which would mean so much for the ultimate success of the business.

An efficient marketing system provides a good working tool which helps the businessman to get his articles into the hands of the consumer with ease. The time-lag between production and consumption is cut down and the wheels of production are not allowed to start creaking. On the contrary, such a system of marketing pours in the oil, thereby the machinery of production continues to work smoothly for the good of the national economy. But it is incumbent that scientific merchandizing principles are adopted at all levels. It is felt that India will have an efficient economic edifice consequent on a clearer appreciation of the role of marketing in the rapid expansion of business activity. That would bring her nearer to the rightful place in industrial society and ensure a far-reaching industrial progress in future for the building of a great nation.

Modern Concept of Marketing Against Ancient Background

Interestingly enough, marketing has an ancient tradition in India, as Indians sailed the high seas in olden days, carrying large quan-

tities of muslin and other manufactured goods to be marketed abroad. Ancient historical records have proved beyond doubt that Indian manufactured goods had captured world markets and dominated them for thousands of years, long before Europe and America embarked upon the path of modern industrialization with its associated phenomenon of organized marketing. Indians had evolved an organized system of industrial production and marketing, under the 'Shreni' (श्रेणी) with subordination to 'Shrauthya' (श्रेष्ठ). The science as well as the art of marketing existed in ancient India in all its searching profundity. But the modern concept of marketing has been slow in coming to us. It has not been tackled by us in all its bearings notwithstanding the fact that we have long accepted the latest techniques in production. It is time that marketing was understood by us in a comprehensive way so that the creative productive function may be discharged by us to the best interest of enlarging the productive apparatus of the national economy. The Indian economy can and must progress, as it will overcome many of the obstacles because of a better understanding of the marketing system. All efforts should therefore be made to develop a sound marketing strategy in India's developing economy, so that increased production may find large and extensive markets both at home and abroad.

Marketing as Indispensable Primer of Economic Development

Since marketing promotes trade and employment, and co-ordinates finance, production and distribution, the utmost attention needs to be bestowed on marketing for obtaining the maximum results. Marketing is the indispensable primer of the country's economic development. As such, it should be so re-fashioned that the national economy may be boosted. Viewed in this context, what is surprising is that no effective strategy seems to have been conceived of in this direction for furthering the interest of the Indian economy. For example, we hear a lot about export promotion. Export promotion is a fundamental and basic necessity of the Indian economy at present. It is a cardinal principle of economics that export marketing diminishes costs of production by absorbing overhead charges. It is, therefore, of vital importance that additional manufactured goods be marketed abroad. There will apparently be need for a well-thought out export promotion drive. It should be clearly understood in this connexion that the world is not accustomed to looking upon India as a supplier of manufactured goods. It was only World

War II and its aftermath that placed India in such a position. She seized the opportunity, captured the bulk of the home market, and secured a footing in foreign markets for her industry's manufactured products. After acquiring political independence on August 15, 1947, the gains of the war years were consolidated when the country launched planned economy within the democratic set-up in April 1951. The stage has now been reached when she should comprehend and manipulate the marketing problem with the two-fold purpose of satisfying the home market on the one hand, and meeting the export needs by supplying Indian manufactured goods on competitive basis to the world's markets on the other. This would enable her to become a great industrial power in keeping with her vast size, immense natural resources, and ever-growing population. She must zealously guard her home market which is by all accounts inexhaustible, so to speak. And then she should develop her export markets notwithstanding the difficulties in their development, for they would serve as marginal and corrective forces. She should, with her tradition of skills and crafts, take advantage of the situation by catering to the demands of highly sophisticated markets abroad in certain specialized handicrafts and other delicate goods. After all, such goods have always had a traditional appeal to affluent societies of the world and there is no reason why India should not recapture these markets by making use of modern marketing techniques and refinements. It would also add to her reputation: the image of India would be projected into these markets which is bound to give new breadth and depth to export marketing for Indian manufactured goods as a whole. These promotional techniques can act as cross-fertilizers.

Quantitative Smallness of India's Exports

At present India's exports represent only about 6 per cent of her gross national product. Prof. W. B. Reddaway says: 'International trade has never played a large role in the Indian economy, so far as its *quantitative* aspect is concerned. Roughly speaking, Indian exports of goods and services were some $7\frac{1}{2}$ per cent of her gross national product in 1955-56, before development really started to accelerate, and about 6 per cent in 1959.'² Today's export figures, as pointed out earlier, are just about 6 per cent of the gross national

² W. B. Reddaway, *The Development of the Indian Economy*, London, 1962, p. 26.

is broken in this field so that production and marketing went together.

Increased Production and Marketing

Since marketing, viewed as a whole, is a catalytic agent which reduces conditions of glut and scarcity by equating demand and supply, the basic knowledge in, and understanding of, marketing is of the utmost importance in pushing up the sale of goods manufactured in a desired way. Unless we study and comprehend the true dimensions of marketing, our industrial development is likely to be on a hit-or-miss basis with expediency playing the major role rather than our taking a factual and planned approach in the scheme of increased production. The deplorable setbacks so far suffered by the Third Five-Year Plan (1961-66) could have been avoided by manipulating the marketing problem so that increased production could catch the fancy of the market.

The success of increased production largely depends on the efficient marketing of the products of industry. This does not mean that other factors or aspects are not important, but once the goods are manufactured, other elements become, in a manner of speaking, a *fait accompli*, and thereafter the success or failure of increased production is determined by the marketing system. An efficient marketing system removes any noxious weeds for levelling up the road leading towards accelerated industrialization. Marketing proves a sort of tonic to make our productive apparatus more energetic, thereby sustaining the economy on an even keel. It enables the industrial body of the country to stand up against all storms accompanied by gales.

A Sound Marketing System

The marketing system provides a link between the manufacturer and the ultimate consumer. The pace of industrial production will always be governed by marketing. No manufacturer can afford to accumulate huge stocks and continue production in the context of such a marketing situation. Production under such conditions and circumstances would find the operation of the law of diminishing returns. As such, an effective way may be found to give stimulus to industrial production under developmental planning. The solution of this problem will be provided by a sound marketing system. Had we adopted a sound marketing system in the wake of the

country's industrial development, we would have reaped the harvest of our labours by establishing a strong marketing base which would have quickened the pace of industrial development, so much so that the margin of unutilized industrial capacity in the Indian economy would have been narrowed down to the advantage of the economic advancement of the nation. It would have manifested itself by guiding the apparatus of production on right lines. The time-lag between production and consumption would have been reduced to a minimum. In short, the acceleration of productive apparatus essentially depends upon a harmonious blend of various market requirements, and this blend in turn depends upon a sound marketing system.

Standard of Living and Marketing Policy

A sound marketing policy contributes towards bettering the lot of the nation. The nation attains a higher standard of living. Prof. Harry L. Hansen says that Paul Mazur hit the nail on the head of marketing when he asserted that the *esprit* of the marketing process was to be found in the fact that marketing is the delivery of a standard of living.⁴ Truly, marketing raises the living standards of a nation

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⁴ Harry L. Hansen, *Marketing* (Text, Cases, and Readings), Illinois, U.S.A. 1961, p. 1.

analysis, upon such a policy hinges the nation's standard of living.

Impact of Political Independence and Developmental Planning on the Indian People

Till recently, the needs of an average Indian were simple. Most of the things which are treated as 'necessaries' in the more advanced countries of the world were being treated by him as 'luxuries' and 'comforts'. This way of life has been changing fast, particularly after the attainment of political independence. The incentive furnished by the country's political independence has gathered speed under the impact of developmental planning. The increase in *per capita* income has led to a better standard of living, and the desire and efforts for improving one's lot are found everywhere. While the increase in the literacy ratio has broadened the vision of the people and deepened their desire to consume more and more products, improvement in transport and communications has brought various parts of the country together into a well-knit economic fabric, thereby opening out to the people new opportunities for a richer and more varied life. The Indian people have thus been exposed to the wider perspectives of life, and they want to enjoy the fruits of modern life. The background having thus radically changed, the out-dated modes of marketing should in the nature of things undergo a complete transformation. But that requires considerable ingenuity in the domain of marketing so that the impact of political independence coupled with that of developmental planning on the Indian people is manifested in all directions. The industrial progress of India in the difficult years that lie ahead, will depend largely on the development of a suitable marketing strategy so that what is produced is sold out quickly in home and foreign markets.

Under-Utilization of Industrial Capacity and Marketing

In a planned and developing economy like ours, the continued neglect of marketing would prove disastrous. Marketing which constitutes the bone and muscle of production, has to occupy pride of place in the economic life of the nation. It is one of the well-known ironies of India's industrial scene that under-utilization of capacity has almost become a national phenomenon: the existing

margin of unutilized capacity in the country, which is widely estimated to average 25 per cent for the Indian economy as a whole, is a disturbing factor, more especially in the context of the national emergency. It should be inescapably clear to us that without the aid of marketing, industrial production would be retarded at every point. The country's industrial progress will be held up. Leaving aside the quantum of industrial production, what is more deplorable is that there would be a widening gap between production and consumption which would arrest the forces of economic progress. The unwanted production would not readily capture the markets, and thus would in turn clog the wheels of production. Thus a vicious circle would be created which would damage the interest of India's developing economy.

Industrial Production and Marketing: A Realistic Approach

Industrial production can only be accelerated to the desired extent if we adopt a wholly realistic approach to the complex problem of marketing. The urgency of India's developing economy justifies the need for the utmost circumspection in evolving a suitable marketing strategy which will answer the needs of the day. Gone are the days when the needs of the Indian people were relatively simple. Most of them lived in almost self-sufficient villages and small towns which had little contact with the outside world. During that period the transactions were generally based on the barter system. But this is now a nearly forgotten phase. In today's world when the country is looking forward and producing diversified goods and services under the impact of developmental planning, the direct contact between the manufacturer and the consumer has been replaced by the network of a complex marketing system. It is this system of marketing which needs to be geared to the exigencies of modern requirements of industrial production. The 'big push' that industrial production of the country requires can be given only if we have a strong and efficient marketing base. It is time that a realistic approach is brought to bear upon the complicated problem of marketing to obtain the optimum results from developmental planning.

Scientific Study of Modern Marketing as a Basis for Planned Economic Development

A scientific study of modern marketing opens up a vast field

for modern economic development of the nation. It could form a basis for blazing a new line of approach for solving the problem of planned economic development of the country. It will certainly become more complex as the national economy gathers speed in the context of planned economy and various products vie for a place in the consumer's basket. There has got to be a clearer understanding of the marketing techniques and practices for improving the productive apparatus of the nation. In the future, as now, Indian businessmen would be faced with the problem of marketing: they will be required to estimate the potentialities of their markets at home and abroad in the light of continuous developments in the nation's economy.

We are on the way to becoming an important manufacturing nation: our manufactured products range from bicycles to diesel-electric motors, and from sewing machines to refrigerators in addition to traditional products. We are faced at every step with the marketing aspect of such diversified production in our planned economic development. Unless we develop a scientific study of modern marketing, we would be lost. It should be clear to us that marketing governs production. Obviously, planned economic development at an accelerated speed is inextricably tied up with better and more effective marketing. In short, marketing holds the key for all economic progress of the nation.

Profile of the Indian Economy Under Second and Third Plan Vis-à-vis Planned Marketing

We may adopt Prof. W. B. Reddaway's model which seeks to portray the profile of the Indian economy at the end of the Second Five-Year Plan. His statistical figures for 1960-61 of the Indian economy are close to 'actuals'. They are given in the table on pp. 446 and 447.

Prof. Reddaway has also worked out statistically the broad framework of the Indian economy which is likely to emerge on the completion of the Third Five-Year Plan. Strictly speaking, table II, given on pp. 448 and 449, represents a model of what might happen, based on stated assumptions, rather than an attempt at prediction. Nevertheless, it portrays an almost correct picture of how the Indian economy would develop during the five-year period ending 31st March, 1966, in case the movements of

various segments of the economy take place on the charted path.⁵

Broadly speaking, the difference between table II and table I represents the additions at 1960-61 prices which are likely to accrue to the Indian economy during the five-year period of the Third Plan. But this would largely depend upon the adequate fulfilment of plan targets. The need for marketing therefore is indeed very great. The underfulfilment or overfulfilment of these targets would mostly depend upon our evolving the correct marketing strategy in this development process of the Indian economy. A great responsibility for evolving a suitable marketing strategy devolves upon us. This strategy should enable the Indian economy to operate at a high level and to proceed step by step so as to reach the realistic appraisal of the Indian economy of Prof. W. B. Reddaway by the end of the Third Plan as given in table II.

Marketing Techniques Abroad and Their Adaptation to Indian Conditions

India presents an ideal example of a developing economy, where the improvement in marketing equipment would activate the apparatus of production. Unfortunately, the problem of marketing has not received commensurate attention from us, with the result that we have so far missed the planned targets in various sectors of the Indian economy. We tend to devote attention to marketing only when something goes wrong, clogging the wheels of production. That is a wrong attitude—a kind of fire-brigade action. The more realistic approach would be to regard marketing as something vital to turning smoothly the wheels of production so that no clogging takes place in the productive system.

It is necessary for us to comprehend the marketing techniques of industrially advanced countries of the world. They can be borrowed

⁵ Prof. W. B. Reddaway has given explanatory notes on these two tables on pages 187-88 of his book *The Development of the Indian Economy*. This is what he says: 'In general, the conventions adopted are those usually followed in input-output tables, and are not described here. In particular, all the figures are measured on the basis of the prices received by the supplying industry, rather than those paid by the recipient; the difference, representing the payment for transport, distribution, etc., is regarded as a service which is bought by the recipient separately from the transport or distributive industries.' One wishes, however, that Prof. Reddaway should have followed the conventional system by working out an input-output model which involves a matrix of transactions representing the flow of goods and services between different sectors engaged in the productive apparatus of the nation so that a more integrated profile of the Indian economy could be portrayed.

TABLE I

STRUCTURE OF THE INDIAN ECONOMY, 1960-61

RS. CRORES AT 1960-61 PRICES

SIR. NO.	INDUSTRY/PRODUCT	PROVISION OF SUPPLIES					TOTAL VALUE OF SUPPLIES (4) + (5) + (6)	SUPPLIES USED FOR—					
		Value added (gross of depreciation)	Materials, etc., used	Indian output (2) + (3)	Imports of duals (c.i.f.)	Indirect taxes, less subsidies		Materials, etc., for further pro- duction	Govern- ment consump- tion	Gross fixed invest- ment	Addition to stocks	Exports (f.o.b.)	Personal con- sumption
I	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Agriculture	6,919.0	1,774.7	8,693.7	308.0	70.4	9,072.1	3,168.6	18.5	—	165.0	109.0	5,611.0
	1. Food-grains	3,079.1	619.1	3,698.2	160.0	—	3,858.2	482.2	10.0	—	60.0	—	3,206.0
	2. Other crops, etc. .. .	2,794.9	3,561.9	3,566.8	130.0	70.3	3,557.1	2,405.8	5.0	—	80.0	78.0	3,248.0
	3. Animal husbandry ..	825.0	584.3	1,409.3	3.0	—	1,412.3	210.0	3.5	—	20.0	21.0	1,157.8
	4. Fishery	126.5	5.4	131.9	3.0	—	134.9	6.0	—	—	4.0	6.0	118.9
	5. Forestry	93.5	4.0	97.5	12.0	0.1	109.6	64.6	—	—	1.0	4.0	40.0
II	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Mining and Oil	206.1	101.4	307.5	92.0	110.5	510.0	336.4	32.5	10.0	11.1	60.0	60.0
	6. Oil exploration and sinking ..	2.0	8.0	10.0	—	—	10.0	—	—	10.0	—	—	—
	7. Oil production and refining ..	26.6	49.8	76.4	84.5	103.4	264.3	161.3	32.5	—	6.5	4.0	60.0
	8. Coal	101.9	15.6	117.5	—	3.8	121.3	114.1	—	—	1.7	5.5	—
	9. Iron ore	10.9	13.3	24.2	—	—	34.2	6.3	—	—	0.9	17.0	—
	10. Other minerals	64.7	14.7	79.4	7.5	3.3	90.2	54.7	—	—	2.0	33.5	—
III	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Factory Establishments and Power ..	1,343.2	2,569.3	3,912.5	721.8	435.9	5,070.2	1,922.1	236.0	433.0	54.1	457.0	3,946.0
	11. Power	54.3	38.1	92.4	—	30.8	103.2	85.8	5.0	—	—	—	12.4
	12. Sugar	53.2	135.9	190.1	—	59.3	249.4	26.2	1.5	—	0.4	2.0	219.3
	13. Tea	31.6	120.3	171.9	—	27.2	193.1	—	—	—	1.5	130.0	61.6
	14. Vegetable oil and vanaspathi ..	9.2	128.3	137.5	6.0	18.3	161.8	24.4	1.0	—	1.9	17.5	117.0
	15. Other food stuffs	44.2	129.0	173.2	20.0	2.6	195.8	13.7	5.0	—	3.1	15.5	172.5
	16. Rubber tyres and tubes	23.7	38.3	62.0	1.5	10.8	74.3	49.6	7.0	—	2.4	0.3	15.0
	17. Footwear	11.3	20.6	31.9	—	1.2	33.1	—	1.0	—	0.4	3.0	28.7
	18. Cotton textiles	190.3	405.6	596.1	2.0	64.2	662.3	44.0	10.0	—	0.3	62.5	545.5
	19. Cotton yarn	111.1	243.5	354.6	1.0	—	355.6	34.0	—	—	3.1	6.3	310.3
	20. Jute textiles	45.5	127.7	173.2	—	—	173.2	51.9	1.0	—	0.8	117.5	21.0
	21. Woollen textiles and yarn	11.2	33.7	44.9	12.0	0.6	57.6	31.0	2.0	—	2.0	1.0	21.5
	22. Art fibres, silk and yarn	29.9	52.6	82.5	14.0	12.1	108.6	55.3	—	—	1.9	0.5	50.9

23. Paper and newsprint ..	23.4	32.2	55.6	12.0	10.2	77.8	66.9	8.0	—	1.9	1.0	—	0.0	23
24. Matches ..	6.2	6.0	12.2	—	18.0	30.2	2.0	1.0	—	0.4	—	—	26.8	24
25. Cement ..	37.6	47.9	85.5	—	17.5	103.0	89.9	10.0	—	2.1	1.0	—	0.0	25
26. Fertilizer ..	11.2	17.3	28.5	19.0	—	47.5	45.1	—	—	2.4	—	—	—	26
27. Soap ..	8.1	19.4	27.5	—	2.0	29.5	—	1.0	—	0.6	—	—	27.9	27
28. Drugs and pharmaceuticals ..	29.1	39.8	68.9	9.5	—	78.4	—	18.0	—	1.0	1.0	—	58.4	28
29. Other chemicals ..	71.2	100.5	171.7	44.0	6.4	222.1	213.7	2.0	—	6.3	0.1	—	—	29
30. Bicycles and accessories ..	9.5	14.7	24.2	0.8	0.5	25.5	1.5	4.0	—	0.5	0.2	—	19.3	30
31. Electric fans ..	6.0	10.0	16.0	—	0.5	16.5	—	2.5	2.0	0.7	0.5	—	10.8	31
32. Other electric consumption goods ..	8.6	11.3	19.9	10.0	1.2	31.1	—	0.0	—	0.5	0.3	—	30.3	32
33. Finished steel (mild) ..	107.6	103.4	211.0	75.0	52.1	338.1	314.8	16.0	—	5.8	1.5	—	—	33
34. Other base metals, etc.1 ..	47.7	85.9	133.6	55.0	2.3	190.9	182.9	—	—	6.0	2.0	—	—	34
35. Railway rolling stock ..	21.6	45.3	66.9	35.0	4.0	105.9	9.5	—	94.4	2.0	—	—	—	35
36. Automobiles and accessories ..	26.2	63.0	89.2	40.0	0.7	129.9	44.0	20.0	48.0	3.1	0.4	—	14.4	36
37. Other transport and commun. equipt. ..	3.1	5.7	8.8	50.0	—	58.8	17.8	2.0	39.0	—	—	—	—	37
38. Wires and cables ..	10.2	15.8	26.0	5.0	—	31.0	12.5	5.0	13.0	0.5	—	—	—	38
39. Electric machinery ..	5.0	12.1	17.1	70.0	5.7	92.8	16.1	1.5	75.0	—	0.2	—	—	39
40. Machinery (non-electrical) ..	36.9	50.0	86.9	130.0	10.7	227.6	43.1	3.5	175.0	2.5	1.5	—	2.0	40
41. Other manufactured products ..	76.2	112.4	188.6	110.0	103.0	865.7	137.4	110.0	6.6	—	105.0	506.7	41	41
42. Production not covered above ..	162.1	302.0	464.1	—	—	—	—	—	—	—	—	—	—	42
IV 43. Small-Scale Industry ..	1,020.0	1,020.0	2,040.0	—	—	2,040.0	490.7	25.0	25.0	17.6	25.0	1,398.7	43	43
V 44. New Construction ..	370.0	740.0	1,110.0	—	—	1,110.0	—	—	1,110.0	—	—	—	—	44
VI Trade and Transport ..	2,590.0	510.4	3,100.4	19.3	257.1	3,376.8	1,014.7	58.0	36.0	42.2	46.5	2,179.4	VI	45
45. Railways ..	360.0	105.0	465.0	—	12.8	477.8	203.2	12.0	10.0	6.9	—	245.7	45	45
46. Communications ..	60.0	15.4	75.4	—	—	75.4	48.0	14.0	—	—	2.0	11.4	46	46
47. Motor transport ..	165.0	120.0	285.0	—	29.9	314.9	105.9	6.0	6.0	3.5	—	193.5	47	47
48. Marine transport ..	130.0	20.0	150.0	5.8	—	155.8	97.2	—	—	—	—	48.6	48	48
49. Other trade and transport ..	1,875.0	250.0	2,125.0	13.5	214.4	2,352.9	560.4	26.0	20.0	31.8	34.5	1,680.2	49	49
VII Other Services ..	2,196.0	279.2	2,475.2	37.5	26.1	2,538.8	62.5	820.0	6.0	—	75.7	1,574.6	VII	50
50. Govt. administration and defence ..	781.0	48.0	829.0	14.0	—	843.0	—	795.0	—	—	48.0	—	50	50
51. Professions and liberal arts ..	700.0	100.0	800.0	23.5	11.1	834.6	62.5	25.0	6.0	—	27.7	713.4	51	51
52. Domestic service ..	190.0	—	190.0	—	—	190.0	—	—	—	—	—	190.0	52	52
52. House property ..	525.0	131.2	656.2	—	15.0	671.2	—	—	—	—	—	671.2	53	53
VIII GRAND TOTAL ..	10,644.3	6,995.0	21,639.3	1,178.6	900.0	23,717.9	6,995.0	1,250.0	1,640.0	290.0	773.2	12,769.7	VIII	54

1 Includes primary products (e.g. tubes, bolts) made of all base metals.

TABLE II

STRUCTURE OF THE INDIAN ECONOMY, 1965-66

RECEIVED AT 1960-61 PICTS

		PROVISION OF SUPPLIES					TOTAL VALUE OF SUPPLIES (4)+(5)+(6)	SUPPLIES USED FOR—					
		Value added (gross of depreciation)	Materials, etc., used	Indian output (2) + (3)	Imports of goods (c i f)	Indirect taxes, less subsidies		Materials, etc., for production	Govern- ment consump- tion	Gross fixed invest- ment	Addition to stocks	Exports (f o b)	Personal consump- tion
REF NO.	INDUSTRY/PRODUCT	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
I	Agiculture	8 400 0	2 371 0	10 771 0	138 0	85 0	10 994 0	3 859 0	21 5	—	99 0	117 0	6 897 5
1	Foodgrains	3 831 2	870 8	4 702 0	36 0	—	4 738 0	592 2	10 0	—	10 0	—	4 125 8
2	Other crops, etc. ..	3 302 8	751 2	4 054 0	85 0	84 9	4 213 9	2 932 8	7 5	—	50 0	85 0	1 448 6
3	Animal husbandry ..	986 0	734 0	1 720 0	6 0	—	1 726 0	256 0	4 0	—	32 0	20 0	1 414 0
4	Fishery	172 0	9 0	181 0	3 0	—	184 0	8 0	—	—	6 0	—	164 0
5	Forestry	108 0	6 0	114 0	8 0	0 1	122 1	70 0	—	—	1 0	6 0	45 1
II	Oil and Mining	372 6	159 2	531 8	103 0	160 0	794 8	565 8	35 0	20 0	22 0	76 0	78 0
6	Oil exploration and sinking ..	4 0	16 0	20 0	—	—	20 0	—	—	20 0	—	—	6
7	Oil production and refining ..	66 0	71 8	137 8	95 0	149 0	381 8	251 8	35 0	—	11 0	6 0	78 0
8	Coal	186 0	26 0	212 0	—	6 8	218 8	208 3	—	—	5 5	5 0	8
9	Iron ore	24 2	28 0	52 2	—	—	52 2	15 2	—	—	2 0	37 0	—
10	Other minerals	92 4	17 4	109 8	8 0	4 2	122 0	88 5	—	—	3 5	30 0	10
III	Factory Establishments and Power ..	2 409 8	4 134 6	6 544 0	834 0	650 3	8 018 7	3 442 3	306 5	935 0	179 0	517 0	2 628 9
11	Power	116 4	77 6	194 0	—	22 7	216 7	181 7	10 0	—	—	—	25 0
12	Sugar	66 5	171 1	237 6	—	74 1	311 7	32 0	2 0	—	3 0	4 0	270 7
13	Tea	64 0	139 5	203 5	—	22 5	216 0	—	—	—	3 0	18 0	85 0
14	Vegetable oil and vanaspathi ..	33 5	182 9	196 4	3 0	25 1	224 5	34 6	2 0	—	4 5	18 0	165 4
15	Other food-stuffs	60 4	171 6	232 0	15 0	3 3	250 3	18 0	6 0	—	5 5	4 0	216 8
16	Rubber tyres and tubes ..	47 5	75 2	122 7	—	20 7	143 4	99 9	8 5	—	5 0	5 0	25 0
17	Footwear	19 1	33 1	52 2	—	2 0	54 2	—	1 0	—	1 0	3 0	49 2
18	Cotton textiles	216 8	446 8	663 6	2 0	70 7	736 3	49 0	12 5	—	3 5	65 0	606 3
19	Cotton yarn	130 7	278 4	409 1	1 0	—	304 1	304 1	—	—	5 0	7 0	4 0
20	Jute textiles	46 5	124 8	171 3	—	—	171 3	54 3	1 5	—	0 5	20 0	5 0
21	Woolen textiles and yarn ..	19 1	56 1	75 2	12 0	0 9	88 1	43 1	3 0	—	3 0	1 0	38 0
22	Art, fibre, silk and yarn ..	56 8	94 4	151 2	15 0	20 8	187 0	105 0	—	—	7 0	5 0	70 0
23	Paper and newsprint	54 7	72 4	127 2	12 0	21 0	169 2	141 2	10 0	—	6 0	2 0	1 0
24	Match	6 8	21 2	28 0	—	—	28 0	12 5	—	—	—	—	30 2
25	Cement	62 4	76 9	138 7	—	—	187 0	146 0	12 5	—	4 5	2 0	3 0

26. Fertilizer	89.3	134.0	223.3	9.0	—	232.3	222.3	—	10.0	—	26
27. Soap	12.4	29.1	41.5	—	3.0	44.5	—	—	1.0	—	27
28. Drugs and pharmaceuticals	56.8	75.2	132.0	5.0	—	137.0	—	—	3.5	1.0	28
29. Other chemicals	133.0	202.3	335.3	50.0	11.4	396.7	370.7	—	13.5	5.0	29
30. Bicycles and accessories	15.4	23.1	38.5	—	0.8	39.3	2.0	—	1.0	—	30
31. Electric fans	15.1	24.7	39.8	—	1.2	41.0	—	3.0	2.0	2.0	31
32. Other electric consumption goods	18.1	23.4	41.5	5.0	1.9	48.4	—	1.0	1.0	1.0	32
33. Finished steel (mild)	256.0	237.4	493.4	25.0	97.7	616.1	571.1	18.0	17.0	10.0	33
34. Other base metals, etc. ¹	125.2	219.3	344.5	70.0	5.0	419.5	384.0	—	17.5	18.0	34
35. Railway rolling stock	28.8	59.2	88.0	45.0	5.2	138.2	33.7	—	3.5	1.0	35
36. Automobiles and accessories	95.1	142.7	237.8	60.0	1.6	299.4	81.4	25.0	12.0	1.0	36
37. Other transport and commun. equipt.	15.6	24.8	40.4	70.0	—	110.4	44.4	3.0	3.0	—	37
38. Wires and cables	24.2	36.4	60.6	5.0	—	65.6	33.6	6.0	2.0	—	38
39. Electric machinery	40.1	74.6	114.7	100.0	14.7	229.4	53.4	2.0	6.0	1.0	39
40. Machinery (non-electrical)	143.6	239.4	383.0	190.0	31.8	604.8	139.8	5.0	20.0	4.0	40
41. Other manufactured products	130.5	178.5	309.0	130.0	143.1	1,215.1	205.5	140.0	14.0	118.0	41
42. Production not covered above	229.4	403.6	633.0	—	—	2,650.0	627.0	100.0	32.0	30.0	42
IV 43. Small-Scale Industry	1,325.0	1,325.0	2,650.0	—	—	1,400.0	—	—	—	—	43
V 44. New Construction	466.7	933.3	1,400.0	—	—	1,400.0	—	1,400.0	—	—	44
VI Trade and Transport	3,437.0	695.5	4,132.5	23.0	341.9	4,497.4	1,390.5	67.0	78.0	55.0	VI
45. Railways	492.0	143.0	635.0	—	17.5	652.5	310.0	13.5	10.0	—	45
46. Communications	90.0	22.5	112.5	—	—	112.5	76.5	16.0	2.0	—	46
47. Motor transport	245.0	180.0	425.0	—	44.6	469.6	157.0	7.5	8.0	—	47
48. Banking and insurance	160.0	25.0	185.0	7.0	—	192.0	119.0	—	13.0	—	48
49. Other trade and transport	2,450.0	325.0	2,775.0	16.0	279.8	3,070.8	728.0	30.0	60.0	40.0	49
VII Other Services	2,700.0	339.0	3,039.0	45.0	31.4	3,115.4	75.0	1,020.0	—	95.0	VII
50. Government administration and defence	960.0	60.0	1,020.0	20.0	—	1,040.0	—	980.0	—	60.0	50
51. Professions and liberal arts.	875.0	125.0	1,000.0	25.0	13.8	1,038.8	75.0	40.0	—	35.0	51
52. Domestic service	250.0	—	250.0	—	—	250.0	—	—	—	—	52
53. House property	615.0	154.0	769.0	—	17.6	786.6	—	—	—	—	53
VIII GRAND TOTAL	19,111.1	9,957.6	29,068.7	1,133.0	1,268.6	31,470.3	9,957.6	1,550.0	410.0	900.0	VIII
											16,202.7

¹ Includes primary products (e.g. tubes, bolts) made of all base metals.

and transplanted here, at small cost but with fruitful results, thus conveying an accelerating effect to the Indian economy. Happily, we have in Shri Manubhai Shah a Minister who is devoted to the cause of international trade. In an attempt to reorganize the methods and machinery of developing international trade, a study team consisting of officials and non-officials sponsored by the National Productivity Council, left New Delhi early in September 1963, on a tour of West Germany, the United States, and Japan, with a view to studying their trade techniques and organizational set-up. On its return to India, it produced a useful report.⁶ It makes a good beginning, marking a significant advance in current thinking on marketing. It has created the right atmosphere for other steps to follow in the interest of the marketing development of the nation. What is needed in the context of India's developing economy is that such teams be sent abroad regularly: these teams should make a specialized study of marketing techniques of those countries in order to adapt them suitably to Indian conditions. That would go a long way to evolving a suitable marketing strategy over the years which will ultimately give India a stature in the field of international trade and commerce.

Marketing Patterns of America, Britain, Germany and Japan

No one can study the marketing system of a nation without being impressed by the many striking parallels obtaining in the marketing system of other nations of the world. Of course, significant variations in the scales, tempo, and complexity of marketing patterns of different nations would be discovered as the marketing system of each nation is conditioned by the stage of its economic development. These patterns are representative of the internal dynamics of a complex inter-action of economic development. At best we can only indicate the broad contours of the marketing system of a nation. For example, the American marketing system permeates all aspects of the national economy. It seems to have completed a full circle. The pre-eminence of marketing in all its complex aspects is the starting point of pro-

⁶ The report entitled *Techniques of International Trade in West Germany, the U.S.A. and Japan* has since been released by the National Productivity Council. Truly has it remarked: 'We would only add that if Indian manufacturers and exporters are to compete effectively in the world market, they will have to match international trading houses in the strength of their organizational structure, in the scale of their operations and in the excellence of their marketing skills' (See *Techniques of International Trade in West Germany, the U.S.A. and Japan*, September 1964, p. 21)

duction in the American economy. Under the American system, production follows the marketing needs instead of marketing following the productive apparatus. There productive forces of the nation represent, by and large, a distillation of marketing, as marketing is more important than production. Marketing comes first in the thinking process of production which is resourceful enough to look after the needs of production. In short, marketing pressure, as compared with other countries of the world, is by far the greatest in America. In England's marketing system, the importance of marketing, though great and vital, is still lacking in that resilience which is pervading 'affluent' America. Basically, the difference between the American and British marketing systems lies in the fact that the British public likes to buy while the Americans like to sell. There seems to be a little built-in obsolescence in 'semi-affluent' Britain in so far as marketing is concerned. But there is growing desire in Britain to make good, particularly in export marketing. And with good reason too. Practically, three-quarters of her total industrial output finds its place in the world markets. As such, she is determined to build up the marketing system equal to the needs of the situation. Britain has begun to learn with increasing receptivity the lessons in marketing from America as the latter had learnt from the former in the past in so far as production techniques are concerned. The British marketing system has absorbed some of the American dynamism in this field. Germany is another country where efforts are being made to keep pace with her main competitors in the domain of marketing. The German industry appears to have made, with characteristic thoroughness, full use of modern marketing techniques. It is conscious of the need of building up an image of its manufactured products. Prof. Ludwig Erhard, who for the past 18 years has successfully piloted his country from utter chaos and bankruptcy to its present position of economic prosperity and stability, has acknowledged that his country has accomplished the economic miracle mainly by building up the marketing system based on the concept of universality. It has a thoroughness and a philosophy which are characteristically its own. Right from 1946, in all his speeches and writings, Prof. Erhard has been forcefully expounding a simple philosophy of action. He has been stressing pointedly that the most successful means for the achievement and retention of economic prosperity is *competition*. Here the role of marketing is all-important. The nation's determination to go ahead is manifest in

all directions, including marketing. The remarkably efficient marketing organization of Germany, under which the closest relationship between the manufacturing and the mercantile classes has been established, has led to the marvellous resurgence of that country. The National Productivity Council of India, in its report on Marketing and Distribution in the U.K., the U.S.A., and West Germany, has quoted the following from the German marketing system: 'American marketing is advanced in many practical ways. We are not satisfied with all American marketing literature but there is much good in it, though the application of their methods may in many ways differ from ours. Our feeling, however, is that we are going over to American methods, though our philosophy is different. We in Europe look at it more from the side of production, whereas in the States they begin with the marketing side—in a very empirical way. With us it is not always easy to make the manufacturer look at it from the marketing angle. But in Europe we are on the way to accepting it.' Turning our attention to Japan in Asia, we find that she built up her economy within such a brief span of time from the shambles of war. 'Japan has managed, in the last ten years, to capture an extraordinary export market; an almost incredible achievement when one considers that the Japanese industrial base was destroyed almost completely during the War. More unbelievably, Japan has concentrated on quality articles of precision manufacture, while before the war her name was a synonym for cheap shoddy imitation. At the same time, her standard of living has risen far above the rest of the countries of Asia, and is beginning to compare favourably with that of Europe.'⁷ Here she was helped immensely by her marketing system which is functionally-oriented. Japan's marketing system has woven a philosophy of its own. Japan succeeded in the tremendous task of economic recovery because of her unique marketing system. There are no direct sales by her manufacturers. Her marketing development seems to have caught up with that of Europe and America. It has a sense of boldness and innovation. Japan is far too cognizant of marketing-mindedness holding the key to her economic salvation. She has geared her economic system to the needs of the world's markets. She has begun to use every conceivable marketing device to seek her industry's

⁷ See *Marketing and Distribution in U.K., U.S.A. and West Germany*, National Productivity Council, India, 1961, p. 43

⁸ See *Planned Selling*, February 1963, p. 13.

outlets in overseas markets. It has almost become an accepted phenomenon with the Japanese manufacturers and mercantile classes that export prices must be lower by a certain percentage than the home market prices, although no manufactured goods are exported from Japan below the cost of production. The commendably practical approach to the problem of marketing of Japan is indeed a lesson to other countries of the world, particularly of Asia.

A Critique of India's Marketing System

When we reflect upon the marketing system of these countries and turn to India, we find that she has to traverse a long way to master the techniques of marketing for building up a formidable edifice of the marketing system. She has to start almost from scratch. She must bring about the marketing consciousness in the case of her fast-expanding manufacturing industries. She must regard marketing as important as production—in fact, more, in order to catch up with the rapid industrial advancement that is taking place under the impact of developmental planning. She must necessarily absorb the dynamism of marketing of advanced countries of the world.

Our industrial progress hinges on our hard, consistent and continuous efforts in the realm of marketing. Unfortunately, we considered marketing as nothing more than an excrescence in the industrial system. It was thought that marketing would take care of itself. The stage has been reached when we have to work out a marketing system so as to guide the apparatus of industrial production on scientific lines. That would enlarge the scope of industrial production under our planned economy.

By developing a new armoury of ideas and weapons of marketing in India's developing economy, we can infuse new strength and stamina into the nation. It is time that marketing is paid the attention it deserves in the overall scheme of industrial production. Any further negligence in the domain of marketing would prove too costly inasmuch as the planning apparatus of the country would not get the necessary lubricating effect for the self-pumping of the industrial production. It is but fair that the focus is shifted from production to marketing in the context of our planned economy so as to strengthen the sinews of the nation.

India's marketing system is still in swaddling clothes. Let the child be properly nursed to manhood by disciplining it in the art

and the science of growthmanship so as to enable it to attain eventual maturity. There is nothing wrong in learning from the more experienced countries of the world in the domain of marketing. Effective absorption of available marketing skills of different countries of the world into the Indian system would help in bringing about the materialization of the economic progress which will automatically 'feed-back' the Indian economy.

The Summing Up

The need for the development of scientific marketing techniques and practices would be increasingly felt in India's planned economy. In recognizing the importance of marketing in the scheme of Indian industrialization, we shall bring about dynamic changes in the Indian economy. Prof. Max Kjer Hansen of Denmark has described marketing as the industrialization of sales. 'This development', he says, 'started not in Europe but in the United States, between 1900 and 1910'.^{*} This has now travelled far, and covers not only Europe but also Asia and other parts of the world. It is time that India should also develop the knowledge of marketing adapted to modern mass production so that we may also become a modern nation in all respects. We may avail ourselves of the services of foreign experts who may advise us in this field and enrich our experience. This step will help us in deriving lessons from advanced countries in the field of marketing so as to give a slant to marketing in the scheme of industrialization. That would go a long way in boosting the Indian economy.

We must look ahead and address ourselves to the task of industrial and consumer marketing as we did in the past in the case of agricultural marketing. In agricultural marketing we have conducted elaborate researches ever since the appointment of an Agricultural Marketing Adviser on 1st January, 1935. The States (known as Provinces at that time) followed suit. The central marketing organization, now designated as the Directorate of Marketing and Inspection, has conducted many marketing surveys for agricultural produce. Many individuals have also conducted researches on agricultural marketing in one way or another. In spite of all these kaleidoscopic developments in agricultural marketing, industrial and

^{*} See *Marketing by Manufacturers*, published by the European Productivity Agency of the Organization for European Economic Co-operation, Paris, 1957, p. 11.

consumer marketing remained almost entirely neglected. This is an undesirable state of affairs, though perhaps not altogether surprising in the face of the colonial economy which had reduced India to the position of a mere supplier of raw materials and agricultural produce to her British masters, and of an importer of their manufactured goods.

Thanks to British liberalism, and to India's magnanimity owing to the Gandhian approach, India has become a free country. She is on the friendliest terms with Britain. She may rise to unprecedented industrial greatness during the next few decades. But she will have to ponder over the marketing aspect by attaching due weight to it with a view to removing imbalances in production and consumption. Obviously, she would be faced with a formidable task if only because the lack of adequate knowledge in industrial and consumer marketing in the past plagued the Indian economy. It has too long stifled the economic progress of the nation. Now that we have reasonably good prospects of economic growth, it is to be hoped that we shall evolve a suitable marketing strategy in India's developing economy. There is no doubt that such a planned effort in the domain of marketing would prove immensely useful and rewarding.

India has begun to work out her economic and commercial destiny under a planned economy within the democratic set-up which has given a new dimension to current thinking and policy. But she can only advance satisfactorily and effectively without needing to apply brakes time and again in the context of planned economy with democratic vision if only she devotes concentrated attention to industrial and consumer marketing. There should be an entirely natural diverting towards industrial and consumer marketing from agricultural marketing. That would lead to greater emphasis on industrial and consumer marketing than on agricultural marketing with the result that the industrial bias to the national economy would be rendered possible without encountering much difficulty on the production front. An efficient marketing system will assess the reactions and requirements of the markets by keeping itself abreast of the changing market requirements, thereby ensuring that competitors do not win over the buyers during periods of production setback. After all, we are working out a picture in the changing pattern of the Indian economy, which would ultimately bring us nearer to industrially advanced countries of the world.

The day is not far off when we shall also claim to be an industrially advanced country by bringing about the shift in emphasis from agricultural bias to industrial bias in our economy in the context of our developmental planning. Following the attainment of the take-off stage during the next ten to fifteen years, there would be the wind of change in our economy. India would usher in a new era. Her economy would resound with industrial greatness.

As surely as the sun rises in the East, India as its focal point is bound to come into her own in the world of industry if we succeed in grappling with the problem of marketing more effectively. This can be done by evolving a suitable marketing strategy in her developing economy, which would fulfil the rising expectations of a richer and more varied life for all Indians

APPENDIX D

TRAINING FOR MARKETING EXECUTIVES WITH SPECIAL EMPHASIS ON THE UNITED STATES AND ITALY*

Marketing techniques have come to be recognized as a potent instrument for the rapid expansion of production. But their successful adoption presupposes a training programme on a nation-wide scale. The U.S.A. provides a striking illustration of the benefits conferred by the provision of training facilities at different levels. Europe is fast emulating the American example and Italy is a typical case of a country which is devoting special attention to the setting up of training facilities in the realm of marketing. Prof. J. R. Hawkinson of the U.S.A., drawing upon his experience of marketing in the States and in Europe, has underscored the essential similarities in the field in the two Continents. His views find expression in the following discussion from *Marketing by Manufacturers* reproduced by special arrangement with the publishers. Let us hope that India, which has made a happy start by making marketing studies an important adjunct of the newly established Indian Institute of Foreign Trade, will profit from the experience of the various countries of the world and blend the different trends that have proved useful within the framework of her own economy, so that she may accelerate still further the pace of her industrialization. The methods and strategies of marketing must be well-conceived in the interest of sustained marketing development of the nation and we would do well to transplant some of these skills, with some modification, to suit Indian conditions in this complex, computerized marketing game. Prof. Hawkinson's specialized study on the subject will be of great help to India for gaining a proper insight into the techniques of international marketing so that these techniques might be adapted to Indian conditions and environment.

Differences between training in Europe and in the U.S.A. ९

The main differences between the United States and the countries of Europe as regards the training for marketing executives are essentially these:

1. It appears that marketing is considered *more important* in the United States. The Marketing Department occupies a position in the company management parallel with Production, Finance,

* From *Marketing by Manufacturers*. By courtesy of the European Productivity Agency of the Organization for Economic Co-operation and Development, Paris, 1957.

and other top departments immediately under the chief executive of the company.

2. Along with this growth in importance there is also a change in the chief marketing executive's duties and *responsibilities*. In the more advanced companies, he is responsible for all the marketing activities and for their effective co-ordination. It is believed that only through such co-ordination of all activities directly related to marketing, can the company's entire marketing programme be effectively planned and carried out.

Today's successful marketing executive must be analytical and objective in his approach to his marketing problems.

3. My impression is that the United States executives generally—and certainly marketing executives—*delegate* to a greater extent, depending more on their subordinates. They thereby secure more time for analysis and planning. Such delegation naturally provides good experience and training for younger executives, as it affords them greater opportunities for applying their training.
4. An increasing number of marketing executives in the United States are *graduates* of university schools of business administration, where they will have followed a wide range of business courses, including Marketing Principles, Marketing Research, Marketing Problems and possibly even Sales Management.
5. Among top United States executives the idea has gained ground that *one can train* an executive to become a better executive and that executive skills can be analyzed and their basic factors isolated for study and practice.

Job Analysis as a Pre-requisite of Training

These fundamental differences are discernible only as tendencies, but they create a distinctly more favourable climate in the United States for the training of marketing executives.

In a large company, the term "marketing executive" can be applied to a wide range of posts in the marketing department. Apart from the chief marketing executive, these include, e.g. the chief staff appointments (advertising manager, marketing research manager, customer services manager, etc.) and the position of sales manager. In a smaller company, several such responsibilities are performed by one executive. The responsibilities, and consequently the training,

vary of course with the post. So the point of departure for the training programme has to be the *job analysis*, in which the duties and responsibilities of the executive are analysed and described in written form. This analysis will show that the ability to sell is no longer the dominating qualification, but that in selecting a marketing executive great emphasis must be placed on other characteristics, the more important ones being: knowledge of the company and its products; of advertising and sales promotion, etc.; knowledge of psychology and experience in handling people; ability to analyse and to plan; creative ability and initiative; then energy, discipline, and administrative ability.

Sources of Marketing Executives

As regards the problem of where to find marketing executives, certain basic ideas apply regardless of the size of the company or level of executive. In this respect, long-range planning should be made just as, for example, in the case of selecting plant locality, and questions of investment, plant capacity, or production programme.

In the case of large companies, this can perhaps be done by the personnel department preparing a list of potential candidates for each post and providing the necessary training for them. Frequently, promising talent is recruited from the universities and trained according to a programme that includes certain studies, on-the-job training, and experience.

An advantage of such a list and training plan lies in the fact that it throws a spotlight on the discovery of potential talent which otherwise might frequently be overlooked, whereas the recruitment of many men from outside the firm might discourage good candidates within the organisation and even create a problem of company morale.

To an increasing extent in the States, and to a lesser extent in Italy, large and small companies are depending on consultants for their executives and on firms who specialize in the placing of executives. These firms charge the company and not the candidate for the placing.

Drawing up the Training Programme

The list of executives required is also the basis for drawing up the training programmes, and the following will be found helpful in this connection:

1. Determining the objectives. For example, for what type of employee or for what level of employee is the training designed? Is it to be refresher training or training for management in the light of new policies or under some new set of circumstances?
2. Preparing a list of the duties and responsibilities to be handled by the trainee. If a job description is available, this might serve as a guide.
3. Determining what the executive needs to know. This becomes the contents of the training or the subject matter.
4. Determining what training methods are to be used; and especially which of the three basic methods (lectures, demonstration, cases and problem assignments) or which combination of methods would be preferable.
5. Determining who is to give the training and where it is to be carried out. Is it advisable to use external professional trainers or men from the company? Should the trainers be practitioners or professional instructors, possibly university lecturers?
6. Evaluating the present training programme. Which training efforts are producing the results, and what should be changed, added, or omitted? Such evaluation is difficult, of course; companies have found that requests for frank opinions from executives who have completed their training and then actually worked in the job for a sufficiently long period often produce very helpful suggestions.

Training for marketing executives in the United States is achieved by a variety of efforts both within and without the company. The *smaller companies*, in which the need for a marketing executive occurs only rarely and at irregular intervals, do not have organised programmes. Generally, they select a man from within the company who appears promising, and then largely depend on the training available outside the company.

Larger companies often recruit promising men from the universities and colleges and provide organised training programmes for them, often by placing them in various posts within the company's own marketing department, but also by arranging for them to attend special courses and routine meetings such as sales supervisor conferences, etc. Almost all the training efforts of this kind combine on-the-job training in various appointments with simultaneous

theoretical instruction by following courses and taking part in periodic discussion meetings. The technique of discussion has been developed to a high level, so that this method of training is preferred for many purposes.

Another interesting type of training is to organise a junior Board of Directors, enabling its trainee members to prepare themselves thoroughly for appointments which they will assume later in their career.

Programmes for Developing Executives Outside the Company

Outside the company, training for marketing executives is offered by various associations and organisations, and by the universities. *The American Management Association* offers several main types of training: the Annual Marketing Conference, three-day Orientation and Workshop Seminars, and longer courses in marketing management. The Association's latest development is a course for mature marketing executives, conducted in three one-week sessions with sufficient time allowed between them to digest and relate the material to individual company situations.

The National Sales Executives—which, incidentally, has organisations also in several European cities—offers regular discussion meetings, the Annual Distribution Conference, and courses at the *Graduate School of Sales Management and Marketing*.

The American Marketing Association does not yet have a formal programme for training marketing executives but is now considering this as a future project. Present activities offering a form of training are two national conferences annually, special seminars in larger cities, and the publication of the *Journal of Marketing*.

Finally, the National Association of Manufacturers has conducted one-day seminars specially for the training of marketing executives.

Many of the programmes offered by the universities include marketing as a subject, though not all courses are on the executive level. Executive development programmes are now offered at about fifteen universities, these programmes varying in length from one month to six months and being aimed at both the top and the mid-management level of executives. The conference method is extensively used, providing for member participation and for an exchange of ideas. Another important factor is that time is allowed for the students to meet and study in groups outside the regular sessions.

Training of Marketing Executives in Italy

In Italy, training for marketing executives has had to be approached from an entirely different angle. In this country, medium and small-sized companies predominate, and as a consequence there are fewer organised programmes for training within the company. Moreover, in many instances, marketing executives still do not enjoy the same status as the production executives. In consequence, the marketing department—including its training methods—is not so highly developed here as it is in the United States.

Some large companies have developed extensive training programmes for marketing executives, conducted within the company, in one case at a company-owned school, and at other training centres. In one instance, theoretical instruction includes a five months' training course offering lectures, discussions and seminars as well as case studies. Successful candidates then receive confirmation of employment and are placed in the different departments of a model branch office for four months. Only then are they given practical appointments as junior supervisors.

Under some programmes, candidates for top executive positions are sent to the United States or to some European country to improve their knowledge in the marketing field.

Outside the company, training for marketing executives in Italy is offered by associations and organisations and by the university institutes. The National Sales Executives of Milan has developed a course of six working sessions, each lasting for several hours, at which the speakers and discussion leaders are experienced practitioners. A similar programme is planned for Turin.

A programme aimed primarily at the smaller manufacturers, and hence including a wider range of topics, has been organised in fifteen Italian towns by the National Committee for Productivity. *Marketing research* is one of ten topics treated at these seminars.

The Italian Marketing Association organises a three weeks' course in marketing research each year, directed mainly towards marketing executives.

Interest in the subject of marketing appears to be increasing among the Italian universities. Up to the present, there are only a few courses in marketing alongside other courses aimed at executive levels, but an extension of such programmes is being planned.

The most interesting development in this field is the I.P.S.O.A. (Institute for Postgraduate Study in Business Administration) in

Turin; its training methods are rather similar to those used at the Graduate School of Business Administration of *Harvard University*.

The Importance of a Favourable Climate

In concluding, it is once again emphasised that manufacturing will in the future be based to an increasing extent on mass production, which is possible only when it is supported by efficiency in marketing, and this in turns calls for more effective training for marketing executives. Each programme must be tailored to fit the needs of each executive post. In the various countries, many training facilities are offered both inside and outside the company which cater for the needs of the smaller as well as the large manufacturers. My experiences in this field in the States and in some European countries have convinced me that the similarities are greater than the dissimilarities. It is not only important that organised efforts should be made for developing marketing executives but it is even more important that a climate which is favourable to executive growth should prevail within the company.

Top management must not only be convinced that it is essential to train its potential executives, but it must also very obviously encourage such efforts in many ways. Top management executives create this climate when they:

1. Delegate responsibilities and hold men accountable for their performance and the results;
2. Set challenging tasks which test men's abilities and provide a stimulus and interest for them;
3. Motivate men not only through adequate compensation and promotion but also through written and oral recognition of good performance;
4. Set performance standards, and tell men where they stand and how they are progressing.

APPENDIX E

TRAINING FOR MARKETING EXECUTIVES*

Marketing executives today need to keep abreast of developments in marketing, including relevant psychometric techniques. This can be done only through suitable training programmes. A 'star salesman' need not necessarily be an outstanding marketing executive. According to Mr. E. J. Rainey, Director and Field Sales Controller, Lamson Paragon Ltd., England, the selection of the right type of candidate is the first and foremost consideration in the training of a marketing executive. In the following discussion which has been reproduced in full from *Marketing by Manufacturers* with the permission of the publishers, Mr. Rainey lists the essential qualities in the trainee and outlines the requisite training programme both inside the Company and outside. He naturally expresses surprise and regret that the science of marketing finds no place in the vast programme of education and training chalked out by the British Government for turning out more scientists and technologists. This is of direct relevance to India where marketing is still in its infancy and where it can develop into an important factor in speeding up the rate of her industrialization provided the marketing system is geared to the precise requirements of the Indian economy. A reorientation of the entire marketing system is apparently called for in our country, so that marketing can be conducted under fair conditions of competitive buying and selling, based on intelligent human understanding and sound business ethics. The work of experts like Mr. Rainey could be of great help in creating the right climate of marketing in India. We have to give a new look to the subject of marketing by imparting to it a scientific character and a psychological touch. All this will go a long way in broadening the marketing programme of the nation, thereby stepping up our exports under each Five-Year Plan and hastening the economic progress of the nation. It is in this hope that Mr. Rainey's specialized study on the subject has been included as the last appendix of the present book on industrial and consumer marketing, otherwise known as *Marketing of Indian Manufactured Goods at Home and Abroad*.

The Type of Marketing Executive Required

A well-known British industrialist said recently that if he had to appoint a marketing executive and the choice lay between an ex-salesman extrovert or a back-room introvert, he would choose the latter. This was a controversial way of saying it does not follow that because a man is the "star" salesman he is the best

* From *Marketing by Manufacturers* By courtesy of the European Productivity Agency of the Organization for Economic Co-operation and Development, Paris, 1957.

man to be promoted to marketing executive, as so frequently happens.

The first consideration in training for marketing executives must be the *selection* of the trainees, since, unless selection is right, all that follows in training and development is waste. During the course of a successful career as a marketing executive, the company may, by way of remuneration, invest in that executive a sum of between £50,000 and £100,000, and the strength of this investment is in direct relation to the skill applied in the selection. The essential qualities which candidates should reveal are:

1. Leadership,
2. Ability to give and create loyalty,
3. Ability to radiate and maintain enthusiasm,
4. Ability to generate inspiration and inspire others,
5. Ability to cultivate yet control ambition,
6. Ability to think,
7. Ability to decide,
8. Ability to delegate, and finally,
9. Ability to mellow his functional specialisation into the broader issues of the top management team.

Analysis of the Marketing Executive's Job

Before actual training can begin, it will be necessary to prepare an analysis of the marketing executive job,¹ and the most important fields of activities are field sales (the main aspects here being territorial coverage, field activity control, the forecasting of quotas, personnel training, field service, etc.), then internal sales (including advertising, exhibitions, sales promotion, samples, pricing, statistics, research, etc.), and finally, where there is not an export manager within the marketing framework, exports.

Where the development of home sales executives is concerned, my company's policy is by way of promotion to District Manager—Area Manager—Sales Manager. The men receive constant post-appointment training while doing the job, the geographical size of Britain being relatively so small that personal contact and collective meetings for group discussion of field sales techniques are frequent. Group discussions are also held at the main factory with

¹ See the chart on the *Analysis of the Marketing Executive Job* on page 470 which is, indeed, oversimplified.

executives of the internal departments. No fixed curriculum exists, but the constant contact down the line plus the wider considerations of the factory group discussions provide practical training at its best.

Training the Trainer

After World War II we recognised the need for *refresher courses* for our demobilised salesmen. So we selected as "trainer" a young man who had proved himself a good salesman and showed promise of considerable development. Accordingly he sat in at, and then took part in the instruction at, our two weeks' refresher courses and finally took charge of the programmes. He was then trained in conference technique and later prepared the entire programme for our first post-war national sales conference held in 1947. To give him the broadest possible background a marketing training programme was evolved, the arrangement being that he would, during one week in every four, concentrate whole-time in receiving instruction, the instruction being given by the head of each department for three days in the week plus two days to be spent in actual work in that particular function. The course covered a period of one year. The "trainer" has meanwhile been appointed to full responsibility for training and education throughout the field sales organisation.

Selecting Candidates for Appointment as Marketing Executives

When the need arose for more marketing executives, particularly for overseas assignments, we selected a "practical" man from within the company's sales force, who had developed rapidly as a salesman, and a university graduate, and in 1950 these two men embarked upon a whole-time training course timed to last seven months. We found that the experienced salesman who had come up the hard way, or the "practical" man as we may call him, made considerably more progress initially than the graduate who had the advantage of a university trained brain but the disadvantage of no commercial background. But each was a help to the other, one from the practical angle, the other from the questions arising from a trained and logical mind. Both men are making good and it will be interesting to observe their development into men of broad vision, prompt action and commercial balance.

The Training Programme

In 1951 we took a long-term approach to the training programme and re-timed the former schedule over a whole training period of two years, again selecting a "practical" man and a "graduate." Towards the end of 1954 we engaged two further "graduates" and in 1955 a third. These "graduate" trainees are following the same programme but as there is no urgency the timing has been extended over a "three-year period" and these trainees are living in and working through each department or function, and before moving to the next are required to furnish to top management a report upon the work in this function. This is in no way a "sneak" report on the workings of any part of the organisation but is a measure of the development of the trainee, his grasp upon that particular function and of his analytical, constructive and creative faculties. We are convinced that this is a much more satisfying method to the trainee himself where he feels he is doing *real work* in return for his salary. Should the need arise this programme can be speeded up in relation to any one trainee. From these experiences we feel the "practical" trainees selected from our home or overseas sales forces, with their existing knowledge of and background to our business, can be brought in line with the "graduates" by a programme of "working through" internal marketing functions for a period of not more than one year. Parallel with the foregoing is the training of young executives selected and appointed by overseas companies and associates who come to London for this training programme.

Qualifications of the Trainer

In my own company we have two "trainers" competent to train to executive level requirement, one within the Marketing Division, the other within the Production Division. Administration and accounting must be taken by the heads of these divisions, or their deputies. In the Marketing Division our "trainer" is the marketing executive trainee who constituted the first training phase of our combination of practical sales experience, study and working through the various functions which go to make up the marketing circle. This basic training has since been augmented by lectures and discussions at association meetings, by attending marketing sessions of management conferences and by daily contact with the head of his division.

We face the fact that where no alternative exists or can be created,

the sales manager himself must undertake the "training of the trainer," as a priority within his responsibilities.

Training Outside the Company

Where training outside the company is concerned, the *British Institute of Management* has within its organisation a progressive *Marketing Division* which among its other activities continues to promote *study groups* on various aspects of marketing and covers "marketing" as a part of a four weeks' whole-time executive course; sessions devoted to the problems of marketing and their solutions are also provided at national and regional conferences. *The Institute of Industrial Administration* which is incorporated with the B.I.M. also includes the study of **marketing** in its syllabus and examinations for its diploma.

The Administrative Staff College, Henley, course (residential and of three months' duration) for executives intended for top management also covers marketing as a subject of management. At the *London School of Economics*, marketing is of course one of the subjects studied and taken in the examinations for the external University of London degree of Bachelor of Commerce.

The Sales and Advertising Executive Organisation are the backbone of study for marketing executives and are the only organisation concentrating exclusively on *specialisation* in the fields of sales and advertising. The Incorporated Sales Managers' Association² which has held examinations in sales management since 1928 does not itself provide any course of instruction, but local educational authorities have agreed to provide tuition for the I.S.M.A. examinations at technical and commercial colleges and other educational institutes. To provide students with opportunities to discuss their studies with successful sales managers and specialists in particular aspects of sales management, most I.S.M.A. branches have formed student societies which meet monthly from October to May. In the field of advertising the Advertising Association and the Institute of Practitioners in Advertising made provision for an Advertising Joint Intermediate Examination, and students passing this will be eligible to proceed to the Final Examination for the Association's or the Institute's diploma for membership of that body, subject to other qualifications.

² The Incorporated Sales Managers' Association (I.S.M.A.) is now called the Institute of Marketing.

Case Histories as a Training Method

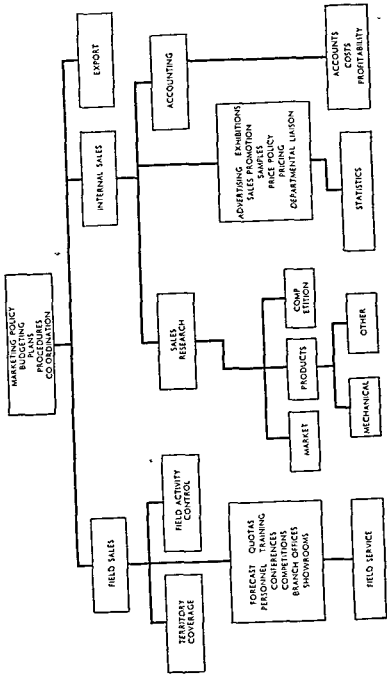
On the subject of case histories, I am not at all certain that a case history is a worth-while exercise in the training of marketing executives. The word with which I take issue is that of history. I am not convinced that the study of a sales management problem based on a different industry, situated in a location and at a time removed from the present, will prove an efficient exercise in the quality we are seeking to develop—namely, judgment. All too often the measurement of such judgment is based on the established solutions arrived at by responsible opinion some two or more years ago when conditions were perhaps vastly different from those existing today. I would rather see such training in judgment based on contemporary problems where the solutions could be analysed and tested in the atmosphere of a real and urgent situation. For such exercises to be effective the senior executive should ensure that his protégé is thoroughly trained in and conversant with the administration techniques and procedures of their own organisation.

A Note on the United Kingdom

My concluding remarks are addressed rather to the British delegates at this conference. The British Government have committed themselves to an education and training programme for the development of more scientists and more technologists at an additional cost of £97,000,000. Although the "white paper" mentions "salesmanship," nowhere in it is to be seen mention of the *science of marketing*.

Many United Kingdom companies provide facilities for "living the practices" of marketing and pay a "graduate" during the process, but in the case of the "practical" man the "mental pursuit of the subject" is frequently a voluntary effort on his part, in his private time and at his own expense. This seems to me strangely illogical. I would like to see the "practical" man of 35 to 45 years of age—the man who has striven and by his proved energy, enthusiasm, ability and leadership, has driven himself above the masses—I would like to see this man given an opportunity by his company to devote three, six or even twelve months, at university level, to the *specialised study of marketing* in particular and management in general. The combination of mature experience and proved ability, with the advantages of university study, should produce an outstanding marketing executive.

ANALYSIS OF THE MARKETING EXECUTIVE JOB



The preparation of this paper will have served its purpose only if a recommendation goes back to the United Kingdom from the British delegates at this European conference to the effect that within this £97,000,000 programme provision should be made for full-time and *sandwich courses* at University level for trainees selected by their firms, costs to be borne jointly by the Government and industry, trainees to "learn whilst they earn" *MARKETING*.

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